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THE ROLE OF TRANSNATIONAL CORPORATIONS IN HOTEL AND TOURISM INDUSTRY IN SELECTED PTA MEMBER COUNTRIES *

* This paper was prepared by a consultant to ECA. The views expressed herein are those of the author and do not necessarily represent the views of this organization.

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INTRODUCTION

1. The study carried out in three of the PTA countries Kenya, Mauritius and Zimbabwe, has revealed that Tourism in some of these member countries is fast becoming big business. It has also revealed that by and large, great emphasis is on controlled tourism expansion aimed at curbing excesses which might be as a result of environmental pollution, profiteering and indeed retrogressive economic development. Evidence exists to show a willingness that future tourism developments will be assessed on their intrinsic economic and social merits and certainly not by less responsible criteria. Where tourism appears to have been accepted not only as a means of diversifying the economy but also as a vital stimulant to economic expansion, it has in fact received appropriate consideration within the total framework of planning in some of the member states.

2. Few of the member states might claim to have initiated tourism development on a large scale before independence. Tourism development in the majority of these countries was given prominence only after independence - in the mid 1960's. In terms of the study under review, international tourism provided opportunities for international expansion of previously national business entities in at least two main sectors in some of the member countries - hotels and tour operators; and to a little extent airlines. Therefore, in a few of these countries, the growth of tourism in the mid sixties provided considerable opportunities for earning foreign exchange and increasing employment. In a few others, tourism is rated as either a second or third foreign exchange earner.

3. All the three countries studied have national flag carriers that are virtually government owned and controlled. In Air Mauritius for instance two or three other flag carriers have small share holdings in it. But the government there is actively buying them out. Up until recently, Air Mauritius used Rogers and Company Limited as its General Sales Agent. However, this arrangement will be changed shortly after the National Airlines has completed its plans for setting up its own facilities in Port Louis.

4. The Governments of the three countries covered by this study are committed to encouraging and maintaining profitable tourist industries of the highest possible standard in their respective countries and under existing individual circumstances. Tourism facilities are generally provided by the private sector. However, there is also state involvement in the provision of some of the facilities and services - especially in national parks and game lodges where these are available. In other cases governments have entered into joint ventures with private companies.

5. Some of the governments encourage the development of new amenities which are in consonance with local and regional tourism development plans. In this connection local investors from within the countries are normally given priority opportunities and incentives to develop new projects.

6. The findings of the study seem to point to the fact that the role of transnational corporations in the three countries is no longer as dominant as it used to be before independence. The few transnational corporations that continue to have business interests in the tourism industries of those countries are being exposed to competition with local organizations, or have invited government to participate. In some of these where government participation has been achieved, transnational corporations have settled for minority shareholding, mostly as technical partners. In yet other enterprises, the majority shareholding has been acquired by indigenous entrepreneurs or companies.

7. In all three countries training facilities are available to facilitate the transfer of skills to locals. Governments hope to create a reservoir of trained personnel to man the vital tourism establishments and services. This is perceived as a positive effort to diminish the role of transnational corporations in the hotel and tourism industries of those countries. Unfortunately, none of these countries seem to have facilities for formal training for tour guides.

8. Kenya, at least, has invited the national airline to be a minority shareholder in one of its hotel companies. One of the intentions is to signal to potential foreign investors the country's economic stability, and therefore encourage them to consider investment in that country.

CHAPTER 1

The International Setting in Tourism

9. Post war technological developments have both highlighted the natural partnership between technology and travel, and facilitated the rapid growth of the Travel and Tourism industry globally. The post war rapid tourism growth suffered a setback in the decade of the 1970's largely as a result of the first and second oil crises of 1973 and 1979.

10. The upheavals suffered by tourist flows did indeed affect kinds and patterns of tourism consumption. But they don't appear to have had quantitative impact on overall tourist movement. This assertion is confirmed by WTO that perceives the upheavals as a "transitional period which tourism was required to adjust to overall economic conditions and that the recovery so keenly sought by all states also included recreational activities, travel and holiday." 1/

11. The natural partnership between technology and travel has had the ability to reduce the real costs of travel. Consequently it has become possible for more and more people to travel on holiday. The capacity to satisfy increased travel demand has been provided by technological developments. Increased travel demand has in turn been stimulated by rising incomes. The net result has been the continuing democratization of travel. WTO makes the point that "demand for holiday travel is closely tied to changes in real disposable income of households and the volume of travel may have decreased between 1980 and 1982." 2/

1/ WTO, Tourism Compendium, 1981.

2/ Op Cit.

A. Recent trends in tourism expansion

12. Globally tourist arrivals increased during the period 1975 and 1980. According to the World Tourism Organization (WTO) tourist arrivals increased by 30 per cent during that period. But WTO is quick to point out that not everyone of the six regions it serves experienced the same degree of growth.

13. It has been reported that in French West Indies, Brazil, Colombia, the Cayman Islands, Haiti, Iraq, Jordan, Kuwait, Malta, Paraguay, Portugal, Sri Lanka and Venezuela, there was an increase of 100, 200 and even 300 per cent in the number of tourist arrivals. It is asserted that definitely Paraguay, Portugal and Sri Lanka enjoyed a 3oo per cent increase. Additionally some twenty-eight countries in Africa, East Asia and the Pacific, Latin America and the Middle East, according to WTO, recorded an increase of between 50 and 100 per cent tourist arrivals over the same period. WTO also reports that ten countries in Europe, North America and South Asia experienced a slower growth rate than the world average. In other countries, according to the WTO study, a fall in tourist arrivals was experienced over the period under review.

14. The WTO 1981 tourism statistics show that tourist receipts increased less than the world average inflation rate, while those of 1982 indicate a decrease in the number of tourist arrivals. In this regard it has been assumed that in the first phase, holiday makers might have reduced their expenditure, and yet they might have travelled less in the second phase. It has been suggested that this might have been achieved by forfeiting their second or even third holiday in the year. This being the case, WTO is of the view that it confirms the organization's previous hypothesis "that the most decisive factor in the growth of tourism is income. 3/

3/ Report of the Secretary-General on the Execution of the General Programme of Work for the period 1982-83.

15. Based on the regional analysis of international arrivals carried out by WTO, Africa's share of the world market is "approximately equivalent to that of 1975 (2.3 per cent in 1981, 2.2 per cent in 1975 and 1.5 per cent in 1970). In terms of that analysis Africa's growth rate of international tourist arrivals trebled between 1970 and 1981. Africa's share jumped from 2.4 million to 6.6 million international tourist arrivals from 1970 to 1981 respectively. This growth rate should be related to that for the world which was about 80 per cent. However, with the reduction in intraregional movement in North Africa, the world growth rate experienced a drop in 1982.

16. In the Americas region, the WTO study distinguishes between North America and Latin America and the Caribbean. In the study under review, the index of growth in international tourist arrival for North America rose from 93 to 123, while that for Latin America and the Caribbean went up from 67 to 151 in "1975 being equal to 100 in both cases". 4/ Based on this statistical data, the region experienced a redistribution of tourist flows over the period 1970 and 1981. The WTO study asserts that the "Tourism ratio between Latin America and North America was 1 to 3 in 1970 (9.2 million and 27.4 million arrivals). By 1981 this ratio was no more than 1 to 1.5 (20.6 million and 36.1 million tourist arrivals)." 5/ In 1970 and 1975 the share of the Americas in the world market decreased (from 22.9 per cent to 20 per cent). But between 1975 and 1981 it's share was stable. This stability was achieved with the increase in the share of the Latin American and the Caribbean which rose from 5.8 per cent in 1970 to 7.3 per cent in 1981. But that of North America dropped by more than 4 per cent" (17.1 per cent in 1970 and 12.7 per cent in 1980)".

4/ Op. Cit.

5/ Op. Cit.

17. Political circumstances have tended to beset South Asia, and which have in turn tended to affect tourism development. However, these difficulties notwithstanding, the region's share of tourist arrivals went up from 900,000 to 2 million between 1970 and 1981. Accordingly, its' share of the world market remained stable at 0.6 per cent in 1970 and 0.7 per cent in 1981. However, the region experienced its' peak of 0.9 per cent between 1977 and 1978.

18. According to WTO, Europe, experienced the slowest growth rate between 1970 and 1981. And yet it did better than North America. The period from 1970 and 1981 saw Europe's share of the market fall from 70.8 per cent to 69.6 per cent. But the decrease was more marked between 1975 and 1981 when its growth did not exceed 28 per cent. Consequently, its share of the world market decreased; by 2 per cent (71.6 per cent in 1975, falling to 69.6 per cent in 1981. In terms of the study under review, the Middle East increased its share of the international arrivals from 1.9 million in 1970 to 3.5 million in 1975 and 5.7 million in 1981. But there was a degree of stagnation in tourism between 1977 and 1978.

19. In a study carried out by Boeing, it has been forecast that the number of visitors to Asia might tripple within a decade. In the light of this projection concern has been expressed that the region might not have the capacity to receive the projected visitor influx. These visitors will be attracted to the region by low air fares. If that forecast was realised, it is possible that the region might experience shortages of reasonably priced hotel rooms, inadequate numbers of trained personnel, and in some countries within the region, minimal domestic transportation. In terms of the forecast under review, it is estimated that by 1988, the region will need almost US$100 billion in tourism development funding to facilitate expansion.

20. It may be recalled that when the travel industry approached the mid-point of 1979, the massive issues associated with energy, inflation and world-wide economic imbalance remained unresolved. However, these problems notwithstanding, tourism volume and expenditure managed to rise to new record highs in 1978. Some of the

regions exploited to the full, the developments of that year. Among the major catalysts to growth within the United States as well as on the high rates of exchange induced international travel to holiday destinations that had devalued their currencies e.g. North America. In terms of tourist receipts, the 1982 estimate for the African region is US$4,000 billion, although naturally the increase must be discounted for heavy post 1973 inflation.

B. Geographical distribution of tourism

21. Main tourist generating countries, especially international tourism, is highly responsive, in general terms, to changes in the level of disposable incomes in tourism generating countries, and highly sensitive in particular to changes in prices in tourist-receiving countries. The rise in the standard of living of the people in many developed and developing countries coupled with fast technological advances in the transport industry has brought holidays within the reach of the middle and lower income groups. With the advent of cheap holidays through non-scheduled carriers it has been possible to change the concept of holiday packaging, thereby liberalising travel.

22. From a study on transnational corporations in International Tourism, 6/ it has been possible to identify the main tourism generating countries by examining tourist trips from those countries over a ten year period. The trips that were examined, excluded visits to adjacent countries. Accordingly, the following main tourist generating countries have been identified:-

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6/ UNCTC, Transnational Corporations in International Tourism, N.Y. ST/CTC/18, p.94.

- The Federal Republic of Germany registered 15.2 million international tourist trips. These amount to 0.25 per capita. It ranks first in absolute terms. But on the per capita basis, the Netherlands ranks first with 0.97 trips. However, it has been pointed out that the traditional destinations for tourists from the Federal Republic of Germany are Scandinavian countries. German tourists have been known to be looking beyond the European borders for their vacations. For instance, they have been known to travel to Canada, Latin America, the Middle East countries, etc.

- The United States with 13.8 million international trips is the next main tourist generating country. These amount to 0.07 trips per capita. The traditional holiday destinations are Canada and Mexico. But they are also known to vacation in the Caribbean, parts of South America in such countries as Colombia, Ecuador and Venezuela. Low tourism growth has been recorded in the US, while tourism to business destinations to the Middle East countries and other Far East countries is said to be expanding at a faster rate.

- The other main tourist generating country is the United Kingdom with 9.8 million international trips. These amount to 0.17 trips per capita. The U.K. does not have one all-important destination for its market. Although Spain holds a constant market-lead share of approximately 25 per cent, nevertheless growth in tourism to Belgium, France and Spain has been described as slow. It has also been noted that tourism to Commonwealth countries has been expanding by 20 per cent annually.

- Netherlands:6.2 million international trips are attributed to the Netherlands that comes next and these amount to 0.97 trips per capita.

- France, with 5.2 million international trips and 0.10 trips per capita is in the fifth place. In the past, more than 50 per cent of the French market was destined for Spain. However, the situation is reported to be changing fast as new destinations like the U.K. (13 per cent growth per annum), Greece (20 per cent per annum), North and West Africa become more attractive. The French have taken special preference for holidays in the Ivory Coast, Senegal and Tunisia, as well as Poland and the U.S.S.R. Tourism to all these countries is said to be expanding.

- The sixth important main tourist generating country is Japan with 4.0 million international trips and 0.04 trips per capita. It has been asserted that almost every destination benefits from Japanese tourism whose average annual rate of growth is reported to be 30 per cent. However, France, the Republic of Korea and the U.S. have been singled out as the most popular destinations, in order of preference. Limited numbers of Japanese tourists have been known to travel to Australia, Canada and New Zealand. Japanese tourism to the Philippines is said to be developing at an annual average rate of around 40 per cent. Sri Lanka too is said to be yet another recent expanding destination for Japanese tourists.

- Belgium - Luxembourg take the seventh place of importance with 2.7 million international trips and 0.2 trips per capita. In these countries tourism to France and the U.K. is said to have been increasing and yet tourism to Spain and the Federal Republic of Germany has experienced slow growth. Tourism to Italy and Greece from these countries has been very popular, and its average rate of growth has been around 12 per cent to 16 per cent annually. It has also been reported by WTO that travel to Canada and the U.S.A. is also increasing annually.

- Sweden and Italy are the next in line with 2.5 and 2.3 million international trips respectively. These amount to 0.31 and 0.04 trips per capita.

- Next is Canada with 2.1 million trips and 0.10 trips per capita. Canadian tourism to the United States is said to have increased steadily at 7 per cent per annum. The U.S. is the most important destination for Canadians. It has been recorded that out of the 13.3 million trips which Canadians made in 1976, 11.2 million international trips were to the United States. Quite apart from the fact that Canadians visit the Bahamas and Caribbean countries, they too, like the Americans, visit other destinations in a "pattern similar to the United States tourists." 7/

- Australia with 2.0 million international trips and 0.16 trips per capita is the 10th important tourism generating country. Although the United Kingdom still remains that country's main destination, nevertheless, faster growth to destinations such as Hongkong, Italy, New Zealand and the United States of America, all with a growth averaging around 20 per cent annually, has been achieved. Other destinations include Afghanistan, India and even the Philippines.

- The eleventh and final main tourist generating country is Switzerland with 1.7 million trips and 0.27 trips per capita.

23. As already observed upheavals in the tourist industry have been experienced in practically all the main tourist receiving countries - especially those countries that rely heavily on long haul tourist movements. In this connection, it is pertinent to recall that the transport component in the movement of tourists from region to region or from the main tourist generating countries to the main tourist receiving countries, had tremendous impact largely due to the energy crisis of the 1970's. However, in terms of the 1980 estimates by W.T.O. world tourism movements reached the 1,700 million mark. 80 per cent of these were attributed to domestic tourist movements, while 1,400 million arrivals in that year were long haul tourists.

7/ WTO, op.cit.

24. While international tourist arrivals stood at 268 million in 1979 nevertheless, those of 1980 were in excess of 276 million - reflecting an increase of 3 per cent over those of the previous year. And yet this rate of growth was said to be below the world average of 5.6 per cent achieved between 1970 and 1980. But it has been observed that during the decade of the 1960s i.e. 1960, 1970 the annual rate of growth for international tourism averaged 9 per cent.

C. Factors in the expansion of tourism

25. The growth of international tourism is a post second world war phenomenon. This development was facilitated by the growth in incomes in the more industrialised countries. These countries turned out to be both the main tourist generating as well as receiving countries. Longer paid holidays coupled with higher standards of living, and indeed the increased facility and relative decline in cost of international air travel, also contributed to the growth of international tourism.

26. However, it should be conceded that the decline in cost of international air travel was occasioned by two major factors. These were:-

- Technological developments in aircraft design, which in turn affected both speed and capacity of the new air ships that scale the skies and;
- Competition within the industry which was as a result of the increased number of regular scheduled air carriers, charter companies and tour operators.

27. International tourism reports have recorded that in 1955, for instance, international airline passenger traffic shot up from 20 billion to 200 billion revenue passenger miles in 1975. The decade of the 1950s has been credited with the development of mass tourism in industrialised countries. These countries registered high growth rates because they had the appropriate international tourism infrastructure for the industry. But from the view point of the developing countries

this growth rate only began in the mid 1960s. However, it only achieved significant proportions during the decade of the 1970s. But it was estimated that the average annual rate of growth in 1955 was 5 per cent and that this more than doubled in 1976 at 12 per cent. It was further estimated that the share of international tourist arrivals for the developing countries increased from 6 per cent to 10 per cent. 8/

28. The cold wind of foreign exchange deficits experienced by some countries has been quite a factor in the development of international tourism. The U.S. for instance devalued its dollar in order to stem some of the dollar drain. In 1968 President Johnson recommended a number of restrictions, which were rejected by Congress. Consequently the President appealed instead to his fellow country men to spend their disposable incomes at home. It was only then that the Johnson Administration realised that foreign exchange could be earned by attracting international tourists to the U.S. to offset the $2 billion a year deficit on travel. It was for this reason that the U.S. travel Service was established as an agency of the U.S. Department of Commerce. Its main purpose was defined as the stimulation of travel to the U.S.A.

29. In regard to the balance of payments, Tourism is an important foreign exchnage earner - through direct expenditure by visitors while in the country and through payments made externally to the national flag carriers. National airlines have a crucial role to play in the transportation of tourists both in tourist generating and tourist receiving countries. And yet the transportation of primary products to developed markets is virtually a monopoly of developed economies.

8/ World Travel Statistics,

30. The International Monetary Fund has drawn attention to the fact that during the period between 1977 and 1979, the recorded growth rate in the industrialised countries was 3.9 per cent. And yet the world GNP rose only by 1.4 per cent in 1980, largely due to recession. However, that drop notwithstanding, development prospect in 1980 for international tourism was, in terms of quantity, very satisfactory. This assertion is based on the fact that industrialised countries as a group form the main markets for domestic and international holidays and travel. WTO contends that for some time there has, in fact been a restructuring of tourist flows, which has been characterised by the intensification of both domestic and international holidays and travel.

31. Although air carriers spared no efforts in working out new fare structure in 1980, nevertheless renewed stagnation which was a result of limited growth in that year was forecast. Therefore, WTO maintains that the 3 per cent growth rate recorded in international arrivals at that material time was attributed largely to the expansion of intraregional tourism. WTO also concluded that world-wide growth benefited from the expansion of domestic tourism.

32. However, in regard to future investment in the hotel industry for instance, prospects seem to have been undermined by monetary policies which have been adopted by some industrialised countries in recent years. WTO has acknowledged the difficulties in the accommodation sector set in train by inflationary trends and high interest rates which make the financing of new hotels extremely difficult. This has necessitated the sudden cancellation of several planned hotels in the industrialised, and therefore main tourist generating and receiving countries.

33. WTO contends that there is every likelihood that the financing problems for hotel projects in the industrialised world are bound to affect similar planned projects in the developing countries. In the latter countries both private and public funds would be sought for such projects. Unfortunately, in most of the developing countries such projects are usually way down the national priority list.

34. According to WTO "the travel trade, nevertheless, predicts that the future will increasingly belong to the markets of recreational activities and holidays which can be influenced by tourism promotion, whereas travel for business, religious or family purposes will still depend on particular circumstances and will be unlikely to respond to tourism promotion drives." 9/

D. Tourism as a generator of income

35. Both WTO and OECD are the main sources of tourism statistical data. And according to them, since 1971, a high growth rate was achieved in a number of developing countries. They also assert that there was a slight increase in foreign tourists visiting some developed certain countries on the European continent a decrease was actually recorded.

36. The magnitude of the economic importance of the tourism industry to several tourist receiving countries can best be assessed through its ability to generate household incomes, Government revenues, foreign exchange earnings, creation of jobs, etc.

37. According to the National report on Jordan, for instance, prepared by the Economist Intelligence Unit Ltd. (E.I.U.) which appeared in their "International Tourism Quarterly" in 1979, Jordan received 49,000 visitors in 1953, and as a result the country made US Dollars 4 million from receipts thereof. But by 1960 the growth rate was so rapid that visitors increased to 131, 699 and in 1966 visitors reached the 606,784 mark. The foreign exchange receipts realised were US$ 35 million.

9/ WTO, Tourism Compedium, 1981.

38. At the time the report under review was prepared, Jordan's tourism annual growth was projected over five years, and in terms of the forecast the country would achieve an annual growth rate of 15-20 per cent in the subsequent five years. It was also forecast that by 1983, the country would reach the 2 million mark of tourist arrivals. Further forecasts pointed to the fact that the surplus on travel account might overtake a major part of the trade deficit and might as a result, become an increasingly important factor in that country's balance of payments. Subsequent developments show that by 1977 and 1978, tourism, as a generator of income met 29 per cent of Jordan's trade deficit.

39. The Bahamas, is yet another examples which makes impressive annual earnings from tourism. In 1978, for instance, its' foreign exchnage earnings from tourism stood at US$495 million. During the decade of the 1970's, according to EIU, Bahamas' annual growth in tourism earnings was over 8 per cent. In Malta, since 1973 tourism had contributed about 10 per cent of gross domestic product. Malta's receipts from invisible transactions boosted tourism's contribution to those earnings in 1978 and 1979 from 35 per cent to 43 per cent respectively. Similarly, the Canadian Government Office of Tourism (CGOT) estimates that tourism provided at least one million jobs in Canada in 1980. It was also estimated that in 1979 both domestic and international tourism expenditure in that country was approximately Canadian Dollars 12.3 billion - which represented 5 per cent of Canadian gross domestic product. From the stand point of jobs, the tourism industry is perceived as the largest employment sector in Canada.

40. The Bahamas as a case study clearly demonstrates the magnitude of the economic importance of the tourism sector to that country. To Tourism alone is attributed the generation of 74 per cent of household income; 58 per cent of government revenue; 60 per cent of foreign exchange earnings based on visitor spending; 44 per cent of the country's jobs are provided by the tourism industry, while 22 per cent of the other jobs are indirectly tourism oriented.

41. Tourism as income generator has assisted Governments in the promotion of small industries, the development of tour operators' organization; ground transport facilities, preservation and promotion of cultural activities, monuments, etc.

CHAPTER II

Tourism Expansion in the PTA Countries

42. In all the three PTA countries visited by the mission every available evidence points to the fact that transnational corporations confined themselves to two areas of the industry - hotels and tour operators. In Mauritius the origin of the national airline has been attributed to the Rogers Group. This group of companies has been involved in different types of commercial enterprises in that country. It is a local company which has for years had French influence and collaboration.

43. But in both Kenya and Zimbabwe, the two national airlines that operate in those countries were former members of the dissolved East African Airways and Central African Airways respectively. While the former served Kenya, Tanzania (formerly Tanganyika) and Uganda, the latter served Malawi (formerly Nyasaland), Zambia (formerly Northern Rhodesia) and Zimbabwe (formerly Southern Rhodesia). After their respective dismemberment, they were immediately converted into individual national flag carriers.

44. It is only in recent times that the Government of Mauritius has acquired majority shares in Air Mauritius. Therefore, most of the information concerning the role of transnationals reflected in this report refers to hotels and tour operation.

45. In Zimbabwe, the Southern Sun Group of hotels of South Africa entered the then Rhodesia in the early seventies and began either to acquire existing hotel establishments and upgraded them, or even built new ones in both Mashonaland and Matabeleland. Backed with large sums of money made available by the breweries, they rapidly became the biggest hotel group in Zimbabwe. But as the liberation war intensified and victory seemed certain for the liberation movements, Southern Sun Group opted out, and in its place the Zimbabwe Sun Group took charge.

46. Kenya both the Inter-Continental and the Hilton Group went in as junior partners of the establishments managed by them. Transnationals entered into these countries mostly after the advent of independence. Except in a few cases, they managed the establishments as junior partners, and with the provisio that during the life of their contracts they would train local persons to carry on with management services after their departure. Some of the contract agreements which were concluded stipulated the minimum bed occupancy or room occupancy rates which these transnationals had to achieve each year and which formed the basis for payment of any incentive commissions.

A. Transnationals in the hotel industry

47. At the time the mission visited Zimbabwe the country had 160 hotels; of which 90 were registered and the remainder were not. But in terms of the new legislation all hotel establishments will be required to register by not later than next October. The National Tourist board's (NTB) estimates for the total number of beds throughout the country is 4,140,000. NTB also gave the following hotel occupancy rates over a three year period: 1981 40%, 1982 37%, 1983 30%. The declining hotel occupancy rates has been attributed to the two

world oil crises coupled with general world recession. Tourist traffic from both South Africa, and Zambia had for many years been in the lead because of those countries' close proximity to Zimbabwe and competitive rates that prevailed for several years.

48. Zimbabwe has known only one transnational corporation in the hotel industry - Southern Sun Hotel Group. This is the hotel arm of the South African Breweries, which in turn, until just before independence, was closely linked with Zimbabwe Breweries (formerly Rhodesia Breweries). This hotel manangement company has since severed its' links with Zimbabwe and has been replaced by a local management company, The Zimbabwe Sun which is a subsidiary of the Delta Group of Companies. Southern Sun Group, as already pointed out, first moved into Zimbabwe in the early seventies when it acquired old and existing hotel establishments in certain parts of the country, and even built a few new ones such as the Monomotapa in Harare. With its base in South Africa, it promoted and marketed its hotel aggressively in that country, with the result that more and more holiday makers from there found it easy to vacation in Zimbabwe which is very close to their country. Holiday makers either flew or drove by road to Zimbabwe with their families. The table below shows that in 1980 the South African tourist traffic reached its peak in 1980 and began to drop gradually thereafter:-

Table 1

Tourist-traffic-to-Zimbabwe-from-three neighbouring-countries

Country	1979	%	1980	%	1981	%	1982	%	1983	%
Bots-wana	3079	2.0	20238	9.4	29340	10.9	29600	11.6	26996	13.
South Africa	33200	29.2	74244	34.6	69613	25.8	62006	24.2	53131	26.
Zambia	1450	0.02	62733	29.3	84031	31.2	75280	29.4	40317	20.

Source: Zimbabwe National Tourist Board (ZNTB).

49. With the withdrawal of the Southern Sun Group from Zimbabwe in the mid 1970s, the country has actively been developing its own management services through the Zimbabwe Sun Group that replaced the former group, according to the National Tourist Board, the Government of the Republic of Zimbabwe is committed to acquiring shares in the latter group. This would be in line with the need to increase the country's bargaining power and control thereof.

50. However, since independence, Zimbabwe has become a member of myriad international organizations. Consequently, the country has taken full advantage of its central geographical position by hosting each year, several international conferences, conventions, exhibitions, seminars, workshops, etc. Therefore, increased government sponsored international functions as stated above coupled with the constant inflow of businessmen and women has increased the demand for hotels in the city of Harare. The table below illustrate this contention:

Table 2

Hotel occupancy in Zimbabwe by district

District	Bed Nights Available	Bed Nights Available	%
Bulawayo	276,523	122,174	44
Maswingo	85,301	32,533	38
Gweru	53,645	22,354	42
Inyanga	136,301	43,886	32
Kariba	140,703	59,934	43
Kwekwe	78,454	21,305	27
Harare	652,257	348,957	53
Mutare	134,471	37,030	27
Mosi-Oantunya (Vic. Falls)	222,634	79,364	36
Mosi-Oantunya (Vumba)	48,806	8,843	18
	1,829,479	776,880	43

Source: Z.N.T.B.

51. Zimbabwe has tremendous economic potential and it is bracing itself for increased international conferences as well as related amenities. Therefore, mindful of the need for additional hotel and conference facilities, Government was obliged to commission the construction of a new Holiday Inn, which was officially opened at the beginning of this year, as well as the hotel/conference centre complex, which is currently under construction. Both these establishments are located in the city of Harare.

52. The Holiday Inn group which manages the new Holiday Inn in Harare is a junior partner. The management contract period is twenty years. But Government has reserved the right to review the contract when deemed necessary by it (Government) in order to ensure that the indigenization of management was achieved with the minimum of delay, the Holiday Inn group was authorized to recruit suitable, well-trained and experienced indigenous Zimbabweans from any existing hotel within the country. The management contract concluded between the two contracting parties could be revoked by Government before the period of its duration if Government saw the need for such action.

53. The new Hotel/Conference centre, which is being constructed within the civic centre area of Harare, will have two separate managements. The conference centre section will be Government controlled and operated, while the hotel section will be under the management of the Sheraton Group. The latter Group too is said to have been offered a twenty-year contract period but which is subject to review like the one contract period but which is subject to review like the one offered to the Holiday Inn Group. In both cases each management group will be expected to achieve specific occupancy percentages every year as a basis for assessing individual company performance.

54. Zimbabwe has several individual or family owned hotels which are not managed by transnationals. All such hotels recruit their own managers that operate them on behalf of the respective owners. Government, through the Department of National Parks and Wild Life provides basic accommodation within the country's National Parks and Wild Life estates. This accommodation consists of chalets, cottages and lodges.

Combined camping caravan sites are also available in different parts of the country. In terms of tariffs the cheapest accommodation of this type would be in the range of Z$4 and Z$6 per person per night, and the most expensive would be between Z$10 and Z$20 per person per night. The policy of the department is to protect and conserve wildlife and fish and to promote food production, was well as hunting safaris. Therefore, the purpose of this reasonably priced basic accommodation is to facilitate regular visits to those areas by the greatest number of Zimbabweans.

55. As already pointed out this type of accommodation is Government owned and operated. Neither transnationals nor private companies of individuals have anything to do with its administration. There are two major hotel groups in Mauritius - The Sun International and the Beachcomber. While the former manages all the hotels of that group, and also owns a few shares in it, nevertheless, the majority shareholders are Mauritians. The group owns three hotels in the country - St. Geran, La Pirogue and Touesrock. The latter group also owns three hotels and these are Le Cheland, Les Hotels Du Morne and Trou Aux Bishes Village Hotel. One of the latter three hotels is managed by an international hotel company - The Meridian, which is associated with Air France, and which in turn owns 12.77 per cent shares in Air Mauritius. But like in hotels managed by the Sun International, the majority shareholders in this group are Mauritians. The rest of the hotels are all owned by Mauritians, and these are managed by either trained Mauritian hoteliers or foreign contracted persons.

56. In 1983, Mauritius had at least 51 hotels with a bed capacity of 4,530. The country's tourist room and tourist bed occupancy rates were 56.5 per cent and 45.8 per cent respectively. In 1982, 118,360 tourists visited Mauritius, and the major tourism generating markets for the country were Reunion which generated 25.5 per cent of the tourists and South Africa with 19.1 per cent- and France 19.0 per cent. The recorded length of stay of a tourist was 11.8 nights.

Table 3

Hotel rooms and bed places, 1974-1983

Year	No of Hotels	No. of rooms	No. of beds places
1974	30	1,246	2,466
1975	34	1,499	2,884
1976	37	1,881	3,688
1977	37	1,881	3,688
1978	38	1,931	3,888
1979	38	1,931	3,888
1980	43	2,000	4,000
1981	51	2,210	4,464
1982	51	2,204	4,530
1983 (June)	51	2,204	4,530

Source: MGTO Handbook of Statistical Data of Tourism - June 1983.

57. However, the tourist peak was achieved in 1979 when arrivals were 128,400. This number fell to 115,000 in 1980 and in 1981 it rose to 121,600. This phenomenon was repeated in the subsequent two years. Therefore, in 1983, tourist arrivals in Mauritius were 123,800. In the private sector the promotion and marketing responsibility devolves on both the Sun International and Meridian Management companies, while in the public sector this responsibility is assigned to the Mauritius Government Tourist Office. However, while the greatest number of tourist traffic to Mauritius was from Reunion, nevertheless, these tourists spent little because while in Mauritius they stayed either with relatives or friends; and the pattern has remained unchanged to this day.

58. In terms of management contracts the mission found that some countries pay a fixed fee of 2 per cent as well as an incentive fee of 10 per cent of net profit before tax. In other instances management fee is tied to room occupancy percentage achieved, e.g.

50 per cent occupancy	-	the fee is 2.5 per cent
50-60 per cent occupancy	-	the fee is 2.7 per cent
Above 70 per cent occupancy	-	the fee is 3.0 per cent

59. In all the foregoing illustrations an additional incentive fee of 10 per cent is provided for. However, there is at least one international management company that operates within the sub-region which is paid a management fee of 1½ per cent of hotel revenue and a 10 per cent incentive fee. In this connection, in the event that the management company made a profit of say, less than one million US dollars the incentive fee does not get paid out. The onus is on the latter to promote and market vigorously in order to make reasonable profit that would in turn facilitates payment of the incentive fee.

B. Transnational in the airline sector

60. Landing rights at the Harare International Airport are enjoyed by British Airways, Air India, Kenya Airways, Balkan Airlines, Lufthansa, UTA, LAM, TAP, Air Tanzania, Quantas, Air Malawi, Ethiopian Airways, Swissair, South African Airways, KLM, Royal Swazi Airlines and Zambia Airways.

61. The information received by the mission indicates that no transnationals are involved in the activities of this national flag carrier. But the airline does have foreign contracted personnel on its' establishment. These are found in those areas which provide essential services and in which local Zimbabweans are said to lack the necessary skills at present. Therefore, Air Zimbabwe is a state owned and controlled airline.

62. Air Zimbabwe is actively involved in the promotion and development of tourism traffic to that country through the famous "Flame Lily Tours". Several airports have been developed in a number of strategic places throughout the country - especially where tourist resorts and game reserves are located. These facilitate the movement of tourists. Tourists to Mosi-oa-Tunya (Victoria Falls) from the South for instance, are flown to Bulawayo and then to Mosi-oa-Tunya and those from East Africa can be flown to Harare on to Mosi-oa-Tunya. The table below gives an idea of Air Zimbabwe's involvement in movements of tourists and business traffic within Zimbabwe.

Table 4

Arriving visitors by mode of travel and port of entry

Mode of Travel and Port of Entry	1980	1981	1982	1983			1984	
				March	Jan-March	Jan-Dec.	March	March
Beitbridge	83	67	73	4	4	71	-	-
Buffalo Range	345	236	192	39	51	180	17	46
Bulawayo	16,859	14,641	1,083	1,007	3,082	12,779	1,132	1,172
Charles Prince	441	540	373	43	95	393	36	100
Harare	70,625	85,288	85,646	6,147	17,963	80,129	6,927	20,218
Kariba	48	139	99	10	17	150	15	19
Mutare	28	7	35	-	8	8	2	2
Mosi (Victoria Falls)	3,201	8,168	8,115	451	1,198	5,029	409	1,222

Source: Zimbabwe Central Statistical Office

The above statistics, as already pointed out, account for visitors arriving by air only. They exclude those that travel by rail and road to Zimbabwe.

63. In Mauritius the national airline was established as a private airline by Rogers and Company Limited. This is an indigenous company that has dominated the country's economy for many years. The company was for several years the major shareholder in Air Mauritius.

64. The Government has in recent times acquired 51 per cent of that company's shares. Consequently the national airline is now government controlled. However, the present shareholders are:

Government of Mauritius	51%
Rogers and Company Limited	14.95%
Air France	12.77%
British Airways	12.77%
Air India	8.51%

65. As already pointed out under hotels, Air France is also connected with a management company - The Meridien, which manages one of the three hotels owned by the Beachcomber Group. Apart from the national airline, Mauritius is also served by Air France, Air India, Air Malawi, British Airways, Lufthansa, South African Airways and Zambia Airways.

66. Air Mauritius employs a total of 490 persons, out of whom 13 are pilots. Four of the pilots are French and the other nine are Mauritians. In terms of priority which Air Mauritius gives to traffic in the main tourism generating markets, the following percentages have been recorded by the national airlines:

Reunion	26.1%
South Africa	21.7%
France	17.2%
Federal Republic of Germany	9.4%
United Kingdom	9.2%
Italy	4.0%

67. Mauritius has recognized the need for a liberal air access policy in relation to its overseas markets. Therefore, in order to maximise overseas tourism traffic, work has already been commissioned aimed at upgrading the existing Plaisance International Airport. Government decision to acquire majority shares in the national airline was aimed at taking it away from the private sector and bringing it under its control. The Rogers and Company Limited also serves as General Sales Agents for Air Mauritius. This status is scheduled to change soon. Air Mauritius intends to establish its' own GSA facilities within the next few months or so, and therefore be independent of the private sector in so far as this crucial service is concerned. However, although three other airlines have shares in the national airline, nevertheless, the majority shares are held by Government. Therefore, no transnationals, in the real sense of the word, manage the airline.

C. Transnational tour operators

68. The largest single and well equipped international tour operator in Zimbabwe is the United Touring Company (UTC). It is headquartered in the United Kingdom. The company operates in different parts of the globe. In Zimbabwe it virtually monopolizes almost all touring services. Its' car hire services operate under the banner of Hertz International. This company also operates a public bus company in some of the country's cities.

69. The Government of the Republic of Zimbabwe is said to have plans to acquire 49 per cent shares in the company at some future date. This is one of the measures which are aimed at indigenizing the company. In Kenya the counterpart of the company is said to have already been indigenized. Last June, an agreement of sale, transferring ownership of the skyline and Yorks Taxi Business from UTC to the Zimbabwean workers at a cost of Z$175,000 was signed in Bulawayo. This service has now been indigenized. However, the Ministry of Finance slapped a ban for five years which inhibits the repatriation of dividends or profits out of Zimbabwe. It may be recalled that the Smith Regime was the first one to deploy this type of legislation which was intended to prevent companies from remitting funds overseas during very difficult times when Rhodesia was a beleagured country at the time.

70. Small tour operator companies do also exist in the country. Buffalo Safari which is owned by a South African, is located at Kariba. Then there are also car hire firms called ECHO/EUROPA, AVIS etc. which are owned by some residents of that country. A black Zimbabwean who is working abroad for an international organization has established a touring company called the Pan-African Safari. It is based in Harare. Participation by black Zimbabweans in this section of the industry is inhibited by lack of finance and expertise. The few black Zimbabweans who have made a modest inroad into this type of service industry, tend to concentrate on the promotion of domestic tourism - especially among primary and secondary schools within the country. This service facilitates constant visits to national parks and game reserves for children and adults.

Chapter III

The entry of transnationals and the negotiating and bargaining process

71. Zimbabwe became independent in April 1980. By that date the country's tourism industry had already been established. Where it not for its war of independence which was fought for fifteen years, its industry would now have been one of the most lucrative not only in the PTA countries but also on the African continent. However, at the time of independence Zimbabwe had three major hotel groups, and several individually or privately owned hotels throughout the country. It is essential to point out that except for a few lodges or inns on the outskirts of national parks, accommodation in the latter is government owned, controlled and operated. The three major hotel groups are the Zimbabwe Sun (Formerly Southern Sun), The Cresta and the Meikles.

A. Major Hotels

1. Zimbabwe Sun:

72. This was and still is the largest single hotel group in the country. It was originally owned by the South African Breweries, through the former Rhodesia Breweries. However, the latter company was indigenized between 1977 and 1978,

when it became a locally registered company. At that material time this group of hotels severed its' links with the South African Conglomerate. Subsequent to the severing of links with the South African Breweries, the Zimbabwe Breweries (formerly Rhodesia Breweries) established a subsidiary called the Delta Group, which took over responsibility for all hotels owned, operated and administered by the Zimbabwe Sun for all hotels owned, throughout the country. Therefore, at independence the Delta Group was already operational, and had its' professional staff to run the hotels.

73. However, the mission was unable to establish the authenticity of the information that had been received during the visit to Harare concerning the alleged desire by the Delta Group to dispose of its hotel assets. It was also not possible to confirm the alleged expression of interest by the Zimbabwe Lonrho Group of companies not only in the hotel assets but also other assets currently owned by the Cresta Group. In terms of the unsubstantiated information circulating in Harare at the time, disappointment when told that the Cresta Group of companies had either already or was in the process of disposing of its assets in the furniture section of its commercial activities. Whether or not the forgoing information has substan... remains to be authenticated. But it is essential to note that both companies are said to have been indigenized. It is also important to observe that in the event that the Lonrho Group acquired some shareholding interests in the Zimbabwe Sun Hotel, an attempt by the former to link, in some way, the latter hotel company with the London Metropole Hotel Group might not be ruled out.

74. As already stated, the rise to fame in the hotel industry of the Zimbabwe Sun Hotels has been through breweries. However, whatever the fate of the Zimbabwe Sun Hotels might be in regard to the interest that it is said to have been expressed by the Lonrho Group, the Government of the Republic of Zimbabwe, in line with the statement of General Policy on Tourism, is committed to the acquisition of shares within the Zimbabwe Sun Hotel Group.

2. The Cresta Hotel Group

75. The origin of this group is attributed to a local tobacco interest group - The Tobacco Association Holdings of Zimbabwe (TA). The group's first hotel - the Jameson - was built in the city of Harare (formerly Salisbury). The country's tobacco auction floors are located in that city. And so the Jameson was originally intended to cater for the needs of tobacco farmers who were members of the association and who converged on the city from different parts of the country for the sale of their tobacco crop each year. This group of hotels is the second largest and owns two other hotels in the country - the OASIS in Harare and the Churchill Arms on the outskirts of the city of Bulawayo, in Matebeleland. Since its inception, the Cresta Hotel Group has always been managed and operated by expatriate personnel on special contract terms. However, since independence, the Group Personnel policy has slowly been varied. Consequently, just under a year ago two black Zimbabweans have been named to top executive positions within the group thereby setting in motion, for the first time, the process of localization of posts within the group.

76. It has been asserted that one of the black Zimbabweans is scheduled soon to be named Chairman and Managing Director of the TA group. Some of the group's commercial interests include Blue Ribbon Products - mainly maize products and farming machinery, etc. Attempts to indigenize the company at a rapid pace are in fact in line with government policy.

3. The Meikles

77. This is a single hotel unit, and it is one of Harare's biggest hotels. It occupies an important position in this study because it is part of other Meikles family commercial interests in Zimbabwe such as Tanganda Tea, a timber company, one of Harare's major retail shops, and Fletcher Company - tea specialists, etc. The Meikles family is one of the early settlers, some of whom are said to have left the country and moved to South Africa. Management of the Meikels Hotel has always been in the hands of expatriate technicians on contract.

4. The Goodwood Hotel Company

78. This was, until recently, owned by a British Company which recruited its senior management personnel either from Europe or within Southern Africa. It had hotels in Harare, Victoria Falls and Kariba. But at the time the mission visited Zimbabwe, the company's only hotel in Harare, the Ambassador, had been disposed of and is now under new management. The mission learnt also that the other remaining assets of that company were also likely to be dispensed with. The Goodwood Hotel company is one of the oldest hotel companies in the country under review, which has over the years played a leading role in tourism development in former Rhodesia.

79. The country's tremendous economic potential will continue to contract a steady flow of business persons. Therefore the demand for hotel beds will continue to increase. Accordingly, mindful of the potential demand, appropriate action has been taken to build two new hotel complexes within Harare. One of these - Government/ Holiday Inn has already been completed and brought into public use early this year, while the other - Government Hotel/Conference Centre, is still under construction.

5. Government/Holiday Inn

80. This new hotel is jointly owned by both the Government of the Republic of Zimbabwe and the Holiday Inns International - each owning fifty per cent of the shares. The latter group is a technical partner on whom devolves the management responsibility. However, although the management agreement concluded by the joint owners of the hotel is for a period of twenty years, nevertheless, the Government of Zimbabwe reserves the right to review it if the need to do so arose. However, Government have taken positive steps aimed at ensuring that the localization of senior management positions is not impeded in any way during the contract period. In this connection, the Holiday Inn Group is said to be the only hotel company to have been authorised by Government to recruit trained and experienced black Zimbabweans from existing hotels. Government is committed to the immediate indigenization of the Holiday Inn.

6. Government Hotel/Conference Centre

81. As already stated, this complex is currently under construction and it is rapidly proceeding to completion. It is located within the Civic Centre area of the city of Harare. The expectation is that when completed it will more or less be like the Kenyatta Conference Centre in the city of Nairobi, Kenya. The current indication is that while the conference centre is likely to be government controlled and operated, nevertheless professional hotel management is envisaged for the hotel section of this massive edifice. The Sheraton International Hotel Group is said to be the most likely candidate for the proposed management contract. Like in the case of the contract concluded with the Holiday Inn Group, the contract period will be for twenty years and subject to review by Government whenever necessary. The only exception here is that a management contract per se will be consumated by the two parties.

82. Zimbabwe has a total of 160 existing hotels. Of these, 70 only remain unregistered. These have remained unregistered long before the country attained independance. However, by next October, all hotel establishments throughout the land, will have been registered in keeping with the recent legislative action taken by Government. According to the National Tourist Board (NTB), the total number of hotel beds throughout the country is 4,140,000. It is estimated that so far Zimbabwe's total investment in the hotel industry is between Z$40 and Z$50 million. It is further estimated that 90 per cent of the funds expended on the industry were locally raised.

83. The Department of Tourism (DT) statistics show a declining trend over a three year period in hotel occupancy rates. According to the Department this trend is indicative of the effect on the country of the two oil crisis; and the liberation war, coupled with the general international recession. The tourist traffic from both South Africa and Zambia has shown a considerable drop in recent years. However, this decline notwithstanding, Zimbabwe is committed to encouraging and maintaining "a profitable tourist industry of the highest possible standard". 10/

10/ Zimbabwe Statement of General Policy on Tourism.

34. Special accommodation, consisting of chalets, cottages and lodges is also provided in the National Parks and Wildlife Estates of Zimbabwe. This accommodation is provided by the Department of national Parks and Wildlife within the framework of the Ministry of Tourism and Wildlife.

(i) Chalets

These cater for external cooking and communal ablution facilities. Both crockery and cutlery are not provided. Visitors are required to carry their own. But the accommodation is serviced on a daily basis.

(ii) Cottages

Provision is made for internal kitchens and bathrooms. Again visitors are required to provide their own crockery and cutlery. They are also serviced daily. However, a few of these Hwange main camp do not have cocking facilities.

(iii) Lodges

They are provided with internal kitchens and bathrooms. Not only are they serviced daily, but they are also fully equipped.

(iv) Camping or Caravan sites

"Combined camping/caravan sites in National Parks and separate Caravan sites in certain National Parks are available". 11/ The basic accommodation provided within the country's National Parks and Wildlife estates is reasonably priced in keeping with the overall objective of the Department of National Parks and wildlife - namely to protect and conserve wildlife and fish; to promote food production and hunting safaris. For the department to achieve this objective, everything is done to make it possible for as many men, women and children as possible to visit those protected areas and solicit their support and co-operation through education and practical example. The policy is already paying handsome dividends. Therefore, the cheapest accommodation costs betwee Z$4 and Z$6 per

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11/ National Parks Central Booking Office.

person per night while the most expensive is between Z$10 and Z$20. The accommodation, especially the most expensive type, is so popular that all reservations throughout the year are made by means of a draw system - those who are lucky have their reservations confirmed at any given time.

85. The Department of National Parks and Wildlife provides its own management services in all its establishments. The National Parks and Wildlife estates are administered by Wardens who also take charge of all the different categories of accommodation available in each of them. Under the wardens are supervisors of accommodation and attendants. Both supervisors and attendants are afforded in-service training opportunities by the Department from time to time. The services of part-time housekeepers are also available.

86. In Zimbabwe, the general rule and practice are that any wild animal found on land owned by an individual is perceived as that individual's property and he would then be expected to protect and look after it. This policy according to the Department is paying dividends. It is generating general awareness of and appreciation for game protection and conservation. The Southern part of Zimbabwe, for instance, is said to be renowned for wildlife ranching. In certain rural areas where the Department has been obliged to provide watering holes for wildlife, it has also provided free water for rural communities. The water Department section constructs dams from time to time and these are turned over to rural communities thereafter, through the Department of National Parks and Wildlife.

B. Ground tour operators

87. The oldest and largest single international tour operator in Zimbabwe is the United Touring Company (UTC). This organisation has virtually monopolised business in that country almost from the time the tourism industry was first established there. This is a British based company. It is well established in

different parts of the world. The development of the American Markets for instance could be attributed to this company. It effectively packaged and aggressively promoted and marketed the Victoria Falls in the United States for many years. Consequently substantial American Tourists began to visit Zimbabwe to see both the Victoria Falls and Great Zimbabwe.

88. UTC was first registered under Part VI of the former Rhodesia Ct No. 36 of 197., which established, among other things, a Rhodesia National Tourist Board, under the appropriate Ministry. Although tour operators were and still are required to register and obtain a licence to facilitate their work nevertheless the Act did not stipulate any restrictive measures in regard to their operations. This act has already been amended to give effect to Government aspirations in this area.

89. UTC in Zimbabwe has for several years been operating a car hire firm under the Hertz franchise. It also operates a public transport service in some of the cities. Other tour operators, who are smaller in size than UTC are Buffalo Safaris of Kariba, and Pan Africa - based in Harare. The latter company is wholly owned by a black Zimbabwean who works for an international organization and therefore lives abroad. The establishment of the latter organization is a post independence phenomenon. Limited capital and technical know-how are the two single major constraints that inhibit the expansion of the latter company. Consequently, it has secondary schools, by organizing tours to national parks and wildlife estates, where accommodation tariffs are attractive to schools and related institutions. In that limited role, the company, however, is playing a vital role in assisting the Department of National Parks and Wildlife with latter's programme of national resource management and game conservation. The Avis Franchise is held by resident White Zimbabweans. One or two other white Zimbabweans own the LCHO Car Hire firm.

C. National airline

90. Air Zimbabwe is the national flag carrier. It is 100 per cent government owned. Air Zimbabwe, formerly Air Rhodesia is an offshoot of the former Central African Airways (C.A.A.) which broke up when the defunct federation of Rhodesia and Nyasaland was finally dissolved.

91. On the eve of independence Britian made certain that British Airways (B.A.) provided a weekly service between London and Harare using the 747 jet. This act made B.A. the only carrier to use bigger equipment than the other flag carriers that have landing rights there. Since independence other flag carriers have applied in vain to use bigger equipments than theones in use now. Zimbabwe will not understandably entertain such requests for as long as Air Zimbabwe does not itself have that size of equipment. At the moment landing rights at Harare International Airport are enjoyed by British Airways, Lufthansa, Quantas, Air India, UTA, Swissair, KLM, Balkan Airlines, Ethiopian Airlines, Kenya Airways, TAM, Air Tanzania, Air Malawi, Zambia Airways, Royal Swazi Airlines and South African Airways.

92. Based on information received by the mission, no transnationals are involved in the activities of Air Zimbabwe. But the National Airline continues to use limited contracted expatriate personnel in those areas where local Zimbabweans lack the necessary skills. From Zimbabwe's point of view, the two major transnationals that the country has dealt with are Southern Sun International in thehotel industry and UTC, a tour operator. As pointed out above, the flag carrier did not have occasion of associating itself with transnationals per se. However, in terms of negotiating and bargaining process, at the time of independence, as already stated elsewhere in this report Southern Sun International Hotel Group had already severed its relation with the then Rhodesia, and in its place Zimbabwe Sun Hotel Group was established as a subsidiary of the Delta Group - a local company. As already pointed out government intends to acquire shares in this group through the proposed "Zimbabwe Tourism Development Corporation" (ZTDC) scheduled to be established before the end of the current year. When established, this will be the investment vehicle of the Zimbabwe National Tourist Board/Department of Tourism. With the establishment of this body, it is Government intention to transfer all current government interests in the Holiday Inn and the new Hotel/Conference Centre complex, as well as other related interest in the hotel and tourism industry to it. The parent ministry of this new body will be in the Ministry of Tourism and Wildlife. Apart from UTC, which as already pointed out, is being indigenized there is no major transnational in Zimbabwe that is currently operating as a tour operator.

93. Kenya, a former member of the defunct East African Community (EAC), has a population of upwards of 14 million, and a land area of some 567 sq. km. It straddles at the Equator, and also boasts of the whole range of ecological zones climates with which it is endowed. Its temperatures range from tropical to temperate, and snow is known to fall on Mount Kenya. The country's altitudes range from sea level to over 10,000 feet. Its tourism industry has been developed against the background of beautiful scenery from the palm trees and beaches along its coastline through the moorland forest, farmland and scrub to the desert in the Northern sector of the country. Game or wildlife is Kenya's greatest attraction from tourist viewpoint. Indeed game abounds in Kenya, and it is of different variety. Endowed with a variety of wildlife coupled with beautiful beaches and scenic beauty, the country offers potential holidaymakers or tourists either wild safari holidays or beach holidays on the Indian Ocean coastline, just as it offers a combination of both types of holiday. Within the PTA, Kenya can be described as the home of international conferences, conventions, seminars and workshops. Therefore a great deal of marketing effort is also paid to the promotion of conference/convention tourism. Bird life too abounds in Kenya.

94. One of the oldest hotel companies, the Block Hotels was established in Kenya in 1927 - more than half a century ago. It owns hotels and lodges in different parts of the country. According to the information placed at our disposal, the Block Hotels and Lodges also have had interests in the Republic of Botswana. For many years this group was owned by an international hotel group that was headquartered in the U.K. The Kenya interests of the group according to unauthenticated information, have now been indigenized. In other words the majority shareholders are said to be Kenyans.

95. For the development and promotion of the tourism industry, Kenya provides different types of accommodation. Among these, are hotels, lodges apartments, tented camps, etc. Prior to independance, accommodation was largely provided by private companies and individual family groups. In this connection, the other oldest hotel group which owns several hotels and lodges throughout the country is the African Tours and Hotels Limited (AT & H). It is also a touring company.

The AT & HL was established in 1947 as a public company. It first started operation at Nakuru. In 1953, it did not only expand its activities in Kenya, but also extended them to the then Tanganyika, now Tanzania. For many years foreign investors were the major shareholders.

96. But with effect from 1976, the Kenya Tourism Development Corporation (KTDC) acquired majority shares within the company. KTDC shareholding was 72 per cent. With the acquisition by KTDC of majority shares in the Company steps were taken almost immediately to indigenize its management. Consequently, the Chief Executive of the company has always been appointed by Government. As of now only two expatriates have been given contracts to operate two of the company's establishments.

97. The AT & HL has since developed its own hotel management company and as a result, it is capable of providing management services to those domestic hotel companies that seek such services from time to time. For instance, two hotels owned by Germans are currently being managed by AT & HL. At present this company manages four tourist hotels and seven game lodges.

98. Since independence, the Kenya government has through the KTDC and other local organizations, not only acquired shares in several hotel and related establishments, but has also encouraged local indigenous companies to participate in the tourism industry, in order to ensure that the greatest percentage of tourist receipts remains within the country.

99. In terms of joint ownership it is known for instance, that the Mombasa Beach Hotel is jointly owned by KTDC, British Airways, CDC and the Kenya Hotel Properties. There are many other similar examples which are aimed at strengthening the country's bargaining power in relation to foreign investors or multinationals. Therefore, through the KTDC and the AT & HL Kenya does not only build its own hotels and lodges, but has also bought shares in other related establishments. As a tour operator, AT & HL owns its own touring company with a fleet of coaches and saloon cars. Its touring company is called the TTS.

100. The Kenyans that have facilitated the immediate indigenization of the various managements in the tourism and hotel industry are mostly graduates of the Utali College and the Kenya Polytechnic. Utali College mounts different courses for tour guides, drivers receptionists,front of Office Managers, food and beverage personnel, etc. Provision is available for a four-year course for middle management, while other courses are for a duration of two years. Regular seminars and workshops are also available for different categories of personnel in the industry. The AT & HL is said to have the biggest hotel management company with head office staff of 92; and administering, as at June 1984, more than 2000 beds, representing 10 per cent of Kenya's tourist hotel capacity.

101. A newly opened facility in Nairobi is an hotel called the Lillian Towers. According to our information, it is owned by a Kenyan. However, it is managed by the Inter-Continental Hotel Management Company. Block Hotels too provide management services for other hotels. Apart from the Inter-Continental and the AT & HL management groups, the Hilton International too provides similar services in Kenya. Both the Inter-Continental and Hilton International are transnationals that provide these services on contract basis, but whose role is circumscribed by existing legislation, In regard to developments in National Parks, the Kenya Government stipulates that new lodges built in game reserves must be at least 51 per cent locally owned.

102. Government policy in the tourism and hotel industry has encouraged joint venture projects for several years now. Consequently, by 1977 the KTDC held equity investment in at least 24 such projects. In 10 of these the corporations participation was more than 50 per cent. KTDC being a major investment vehicle for Kenya, all foreign investment in that industry has been through a joint venture with this corporation.

103. Tour operators in Kenya have a strong organization - the Kenya Association of Tour Operators (KATO) whose aims are:-

- To promote Kenya as a prime destination in all travel markets worldwide,
- To ensure that a high standard of service is offered by the Kenya Travel Industry,

- To uphold the business ethics of the travel profession,
- To provide a voice for tour operators in terms of their relations with Government,
- To provide a forum for Government licensed operators in Kenya.

104. There are about 347 registered tour operators in Kenya. But not all tour operators in Kenya are members of KATO. However, the new Minister of Tourism and Wildlife is committed to ensuring that all registered tour operators seek membership of KATO. His intention is to deal with one organization and one organization only in this industry. 251 of the tour operator companies are wholly owned by Kenyans; 79 are owned jointly and 17 are wholly owned by foreign firms. KATO's membership fee is said to be exhorbitant and therefore inhibitive. Therefore in order to facilitate the envisaged total registration, it has been suggested that membership fee be revised downwards.

105. One of the biggest and leading tour operators in Kenya is the United Touring Company (UTC) which has more than 450 vehicles, a chain of lodges and hotels managed by Block Hotels and a light aircraft charter company. It established itself in Kenya as a transnational, and it has offices and representation in the U.K., France, Federal Republic of Germany, Italy, New Zealand, Australia, Canada, Japan and the U.S.A.

106. This company has now been indigenized in that 60 per cent of its shares are owned by Kenyans, of these 20 per cent are owned by Standard Bank Pension Fund for Kenya citizens; 20 per cent are for Kulia Investment (a local Kenya company), 17 per cent by City Consolidated (yet another local company) and 3 per cent by individuals on the Staff of UTC, and the remaining 40 per cent have been retained by United Transport Overseas - a British transnational. This change dates back to the early seventies.

107. Kenya has the appropriate legislation which facilitates local control of foreign companies in the tourism and hotel industry. Any foreign controlled touring company risks rejection of its application for a licence to operate. Similarly all dividends for foreign investors are controlled and monitored by the Treasury. A form is being designed which will be the basis of monthly returns for both hotels and tour operators showing receipts for each month. This has not been finalized yet.

108. UTC is now a holding company, and as already pointed out, it also owns 80 per cent of the shares of the Nyali Beach Hotel - which has 400 beds, additionally it owns Kenya Hotels Limited; Kekerok Lodge and Sambulu Lodge - which have 300 beds between them - and Lake Marango Club (100 beds). As already pointed out the hotels and lodges referred to above are managed by Block Hotels Management Group, in which UTC own 33 1/3 per cent of its shares, and these are likely to increase.

109. Prior to the dissolution of the EAC, Kenya was serviced, like the other two members of the community, by the former East African Airways, which was dismembered almost after the dissolution of the EAC. However, whatever small charter companies existed and have continued to operate, they did so because they contributed to the development of the tourist industry. Therefore the charter companies that exist, do so within the framework of the legislation that provides the parameters for tourism development and promotion. Light aircraft are not only available for charter out of Nairobi, Nanyuki, Mombasa and Malindi, but which cannot be reached by using larger aircraft. There is a range of single and twin engined aircraft offering a minimum of three passenger seats up to 14 DC8's which can also be chartered from Nairobi. Each has a maximum capacity of 36 passengers. All principal lodges and many other tented camps have their own strips suitable for light aircraft.

Chapter IV

General Impact on the Economy

A. Impact of transnational hotel chains and management

110. The number of transnationals in the hotel industry of the three PTA countries visited by the mission is small. And what is more is the countries that were visited had already taken measures aimed at minimizing the transfer of earnings overseas.

111. The few transnationals that continue to operate in the hotel industry may, however, be more heavily involved in tourist expansion through management and/or franchising agreements. In the former case the management services provided are tied to specific goals which are required to be achieved either during the life of any contract agreement that might have been concluded or before the expiry of such a contract agreement.

112. In the early stages of the operation of some of these transnationals they provided technological, managerial, as well as marketing and organizational technical know-how to the host countries at greatly increased cost. But with the advent of independence, and with the realisation by the newly independent sovereign states of the tourism potential that some of them have, positive measures were taken aimed at facilitating the transfer of skills not only through the provision of in-service training facilities, but also the establishment of training institutions at different levels. Some of these institutions have been and continue to be shared by neighbouring states that do not have their own within their national boundaries. The opening of these institutions to the other countries within the PTA makes valuable contribution to technical co-operation among developing countries, and also minimizes the cost of training of personnel from developing countries in developed countries abroad. Mauritius for instance is known to provide trained personnel for even the Gulf States etc.

113. Transnationals that still play a role in the hotel industry of some of the member states retain a very vital place in the joint marketing efforts deployed by any of these Governments. In Mauritius this contention is borne out by the statistical data on the main generating countries from 1978 to 1982 in Table 5 In terms of the Table reflected below both France and South Africa have since 1978 been generating more tourists than the other tourist generating countries for that island state. In this connection the two countries have been competing for the second and third positions over the period under review.

Table 5

The Main Tourist Generating Countries, 1978 - 1982

(Mauritius)

	1982	1981	1980	1979	1978	Rank 1982	1981	1980	1979	1978	M R
Reunion	30,220	27,620	26,570	29,740	29,717	1	1	1	1	1	
South Africa Rep. of	22,630	24,940	21,180	23,420	18,956	2	2	2	3	3	
France	22,450	21,820	19,620	25,720	21,240	3	3	3	2	2	
United Kingdom	5,780	6,340	7,690	8,180	7,133	6	6	5	4	4	
Germany Federal Rep. of	7,040	7,470	9,050	5,550	2,811	5	4	4	6	8	
Malagasy Rep.	7,090	6,890	6,480	6,220	4,891	4	5	6	5	5	
Italy	5,690	5,940	4,300	3,760	3,498	7	7	7	8	6	
Australia	2,680	3,680	3,460	4,780	2,730	8	8	8	7	9	
India	1,840	2,350	2,950	2,950	2,913	9	9	9	9	7	
Zambia	1,050	1,290	1,180	2,390	2,549	11	11	11	10	10	
Switzerland	1,560	1,500	1,570	1,950	1,449	10	10	10	11	11	
Total as percentage as tourist arrivals	91.3	90.3	90.4	89.3	90.4						

114. The only reason why Reunion has maintained the lead over France and South Africa is because of its proximity to Mauritius. However, the numerical inferiority of both France and South Africa is more than compensated by their spending power, which spells their importance to Mauritius.

115. As already stated earlier on in the report, Air France does not only have landing rights in Mauritius, but is also connected with Meridien Management Company which provides management services for one of the hotels owned by the Beachcomber Hotel Group of companies. This connection is playing a vital role in the transfer of skills by the Meridien to the Beachcomber - an indigenous company. At the time the mission visited Mauritius the latter company had received a telex message from the Ivory Coast in West Africa, where a new hotel complex is currently under construction. Beachcomber was being given the first option on the possible management contract.

116. The marketing activities initiated by transnationals complement those launched at all times by Government Tourism bodies. It is clear that these activities are of both direct and indirect benefit to small hotels (that mostly cater to the needs of the domestic markets) and to other tourism oriented organizations.

117. At least one country studied by the mission could be said to benefit, from the marketing viewpoint, from using the trade names of transnationals whose management companies are subsidiaries of airlines. But such examples are limited as far as the countries under review are concerned. In the other countries a transnational management company which already manages an existing hotel in that country has been invited to manage a newly completed hotel complex. Unfortunately the mission was not afforded the opportunity to consult with the management there about the type of contract agreement which was consumated.

118. Transnationals in the hotel industry have assisted in gaining for the host countries a reputation in international tourism, through their activities in marketing, promotion, advertising and publicity. They play a key role in providing facilities for the transnationals of business, for seminars, workshops, convantions/ conferences- for recreational and general entertainment. In this regard hotels provided by both transnationals and local entrepreneurs and essential as vehicles for communication and retail distribution system for myriad services and goods.

119. Transnationals, through their skills have attracted to and hosted visitors in the host countries, who spend more than they normally do at home. As a result of visitors' spending, transnationals, through the hotels they are associated with, usually make significant contribution to the economics of host countries. Therefore, their hotels have turned out to be important foreign currency earners. They provide jobs for local persons, and the hotels also serve as important outlets for the products of other industries, etc. Where transnationals are carefully selected and controlled they usually play a key role in the development of host countries.

B. Impact of foreign airlines operators

120. Access to Mauritius is either by sea or air. The latter mode of transport is the most common because it is the quickest means of transportation of tourist traffic and goods. As of now the country is served, apart from the National Airline, by a total of seven international airlines. Three of these are from Europe, four from Asia and the other three are regional carriers. These air services are crucial to the development of the tourist industry in Mauritius.

121. The total number of airline personnel employed by Air Mauritius is almost 500. These do not service Air Mauritius alone. Some of them also service other national carriers. There are those Mauritians who are either direct or indirect employees of foreign airlines, in different departments of the industry.

122. In Zimbabwe at least nine long haul flag carriers and seven regional national flag carriers have landing rights at the present moment. Here too, airlines play a very important role in the development of tourism in that country. In some areas of Zimbabwe, game viewing is done by air. This has fleets of small or light aircraft which are ideal for game viewing, and even the Department of National Parks and Wildlife uses these light aircraft for game count from time to time. In both Mauritius and Zimbabwe International as well as regional national airlines assist in providing air services for tourism traffic from all the tourism generating countries of the world.

123. The volume of traffic for both countries demonstrates in a clear manner how the hotels are dependent on the airlines for their viability within the industry, and the impact of foreign airlines have on the tourist industry of host countries. There is no doubt that every country in the PTA that has opted for tourism relies on air transport for growth of the industry.

Table 6

Visitors by arrival category
(Zimbabwe)

Period	In Transit	On business	For Education	Visitors from abroad Reason for visit On Holiday	Total	Staying for less than one night Included total
1970	59,336	25,951	8,124	270,659	364,070	43,801
1975	15,668	20,368	5,257	244,404	384,697	24,039
1976	7,615	16,909	4,907	140,423	169,854	12,788
1977	1,743	4,522	2,194	103,515	121,979	8,201
1978	457	12,811	1,010	87,943	102,221	4,975
1979	99	13,521	513	65,168	79,401	3,561
1980	4,953	40,786	457	227,195	273,371	30,750
1981	10,920	44,318	857	327,261	383,356	58,570
1982	19,306	39,993	1,066	290,681	351,046	54,830
1983	21,177	40,022	1,116	235,726	298,041	46,427

Source: Zimbabwe Central Statistical Office.

124. Airlines of developed countries such as the Federal Republic of Germany, USA, Italy, France, the UK etc. have played key role, as pioneers of new tourist destinations, as they actively seek means and ways of increasing passenger load factors on scheduled routes, which these airlines are forced to fly. Some of these foreign airlines have aggressive marketing programmes, and through their advertising and sales promotion activities, have succeeded in increasing public awareness of the host countries in the main tourist generating countries abroad. Tour operators too, who package any tours in any one of these countries look to airlines for the movement of tourist traffic generated by them. Therefore tourism in the PTA countries is bound to be affected and even influenced by the policies of the air transport regulatory authorities in the tourist generating countries. It is also equally true to acknowledge the fact that the host countries do also benefit from the landing fees paid by each foreign flag carrier, as well as from the fuel and maintenance services provided at each international airport of the host country.

C. Impact of foreign tour operators

125. The number of transnational tour operators has always been small in the countries which the mission visited. Therefore, their indigenization was not a complicated process. In two of the countries visited one transnational tour-operator- the United Transport Company (UTC), had for many years dominated the industry, and was therefore, the largest single tour operator that was responsible for directing a greater percentage of long haul traffic to at least Kenya and Zimbabwe. Consequently, it developed large fleets of safari buses, public transport buses, taxis and even light aircraft for charters. For its taxi services it is a licence of Hertz International, under whose banner it operates.

126. WTC has been an international supplier of a package of services several decades on the international scene. Therefore, it wields tremendous influence in those countries where it operates. It has over the years provided jobs in host countries; it has successfully negotiated favourable hotel rates for its package of services, as a result of which it has been able to exploit to the full the tour market by offering package tours that are characterized by product differentiation etc.

127. In the case of Zimbabwe, as already pointed out, local entrepreneurs who have attempted to establish themselves as tour operators have not been very successful largely due to lack of funds, and to a little extent, lack of the appropriate skills. However, this handicap notwithstanding, measures have since been taken by Government to indigenize the company. Therefore, this and other measures have been affected and have, as a result, clearly eroded the strong bargaining position that this particular transnational had acquired for itself over the years.

128. The situation is different in Mauritius, where the industry is dominated by the Mauritius Travel and Tourist Bureau Limited (MTTB) - an indigenous tour operator. This company is both a travel agency and tour operator. It provides such services as (apart from its main ones) hotel reservations, airport transfers and general assistance at the airport, air and sea reservations, car hire, and through its sister company, Cargo Express Company Limited, clearing and forwarding services, etc. There are also five other tour operators all of whom are Mauritian. These tour operators, like the Mauritian Travel Agents, have their own association, whose current chairman is the Managing Director of the MTTB. The latter company also represents American Express Company in that country.

129. However, due to lack of local skilled personnel in this industry one of these tour operators has been obliged to recruit trained and experienced tour operators from either within the sub-region or Europe, and these are normally on a year's contract which is renewable. Any contract staff is on a fixed monthly salary plus a 3 per cent commission. Contract renewal is contingent upon an individual's performance. This gives the country strong bargaining power.

130. Tourism, marketing, advertising and promotion abroad are jointly carried out between travel agents, tour operators and the hotels on the one hand and the Mauritius Government Tourist office on the other. The national flag carrier too is known to be associated with the organizations referred to above. This pooling of resources places the Mauritian tourism oriented organizations in a powerful bargaining position in relation to the foreign flag carriers that utilise the Plaisance International Airport in Mauritius.

D. Distribution of gains between transnationals and the host countries

131. Against the background of what has been said above, there is a definite movement in all the three member states to indigenize all touring companies. The aim is to ensure that the greatest percentage of the earnings of those companies are retained by the host countries.

132. With the indigenization of tourist companies, Governments are better able to ensure that most of the earnings from the tourist industry remain within the host countries. Therefore, Governments have tended, in recent years, to give potential investors. In the airline industry, foreign airlines have been known to be offered a fee based on fixed; and may attract an incentive commission of approximately 10 per cent of net profit before tax. In some countries the Central Bank does get involved in negotiating a management contract of this nature. It is also usual to tie the management to occupancy rates as follows:-

- 50 per cent room occupancy for a management fee of 2.5 per cent
- 50-60 per cent room occupancy for a management fee of 2.6 per cent
- 60-70 per cent room occupancy for a management fee of 2.7 per cent
- 70 per cent room occupancy for a management fee of 3.0 per cent.

133. As already pointed out, anyone of the fees indicated above would include an incentive commission of 10 per cent. But there are other hotel management contracts that stipulate a fee of 1 ½ per cent of hotel revenue and an incentive commission of 10 per cent. However, in the latter contract if the hotel made a gross profit of less than US$750,000 the incentive commission would normally not be paid.

134. Since independence member states within the PTA have carried out careful planning of the industry, and any management contract that most of them have consumated has been to the benefit of the host country, except in one or two isolated cases where not much thought appears to have been given.

135. In one or two countries where the economy has encountered a progressive downturn, measures have been introduced for the temporary suspension of dividends, branch and partnership profits, reduction in emigrant's settling in allowances; acquisition of blocked external securities, suspension of all income remittances, etc. All these and many other measures are intended to ameliorate the otherwise deteriorating economic situation. But from the viewpoint of the distribution of gains between transnationals and the host countries, so far measures taken by the latter in the development of the hotel and tourism industry have been directed at ensuring that the greater percentage of gains remain with them rather than with the TNCs. And as more and more indigenous management companies become available to the hotel industry, so would the future guarantee the maximization of gains by the host countries.

136. The economy of Kenya is still principally agricultural, although, by African standards, a considerable degree of industrialization based on import substitution for the home market has steadily taken place since independence. According to informed sources, tourism has in most recent years tended to rival the traditional main foreign exchange earners, i.e. coffee and tea. As far back as 1977, Kenya is said to have received K£49.7 million from tourism. This was said to be 7 per cent of total exports of goods and services. During the same period, it was estimated that 62,000 - 97 per cent of these were indigenous persons. However, as recent as 1982, earnings from tourism rose by 3.4 per cent from K£118 million to K£122 million in 1983. In fact this rise implied a fall in real terms when account is taken of the rate of inflation. Similarly, the number of departing visitors declined by approximately 6.5 per cent from 362.4 thousand in 1982 to 339 thousand in 1983. The foregoing developments point to the tremendous tourism potential that the country is endowed with. Therefore mindful of that potential, the Kenya Government's long term aim is for tourism to be developed as the country's principal foreign exchange earner, and therefore, one of the major employers in the country.

E. Impact of Transnational Hotel Chains in Kenya

137. Kenya is one country in the PTA where transnational hotel chains and management companies have had tremendous impact on the tourism and hotel industry. The industry had for many years, especially prior to independence, been dominated by transnational hotel chains and management companies. These companies played different roles in the industry. The companies played more or less the same roles in Kenya as those they played in the other PTA countries. However, in Kenya, major companies that played and continue to some extent, to play these roles, are Hallway Hotels Limited, Hotel Intercontinental, Hilton International, Block Hotels, African Tours and Hotels Limited, etc.

138. But the Government of the Republic of Kenya, noting the importance of the industry to the national economy, has over the years developed a policy of indigenization of the tourism and hotel industry. Consequently, it instituted and developed a systematic training programme for personnel at different levels within the industry; adopted a policy of encouraging Kenyan citizens to invest in the industry; through the Kenya Tourist Development Corporation (KTDC) and African Tours and Hotel Limited (AT & HL), Government has become a major investor, and through the latter company, government has also become one of the major hotel and lodge management companies etc. Consequently, Government has steadily been making it possible for the country to take control of the development of the entire industry.

139. Measures taken by Government since independence have been directed at exploiting the country's tourism potential to the full and controlling the entire industry to mutual advantage of both the country and the foreign investors. In stimulating investment and tourism expansion, the year ended June 1977, the KTDC invested at least KSH1.8 million broken down as follows:-

- Kb0.9 million was equity capital
- Kb0.6 million in commercial loans, and
- Kb0.3 million in support of the Kenyanisation programme.

140. In that year the KTDC acquired equity investment in at least 24 projects. In 10 of those projects KTDC's participation was over 50 per cent. With the advent of these developments the Government through the KTDC, set the pace for foreign investment in the tourism industry subsequent to independence. In keeping with this new policy direction, new lodges constructed in game reserves must be at least 51 per cent locally owned. But Government does not impose similar restrictions on the construction of hotels. In Kenya, foreign investment in the tourism industry, since independence, has normally been through joint venture with the KTDC.

141. Transnational Hotel Chains have handsomely contributed to the establishment of international standards in the industry. In Nairobi alone, a city with a population of one million, there are at least six international standard city centre hotels, at least six economy classe city eentre hotels, twelve tourist class hotels outside the city centre and two apartment hotels in the city centre - all of which have a

total bed capacity of at least 5,372. Transnationals have also contributed to the development of the country's product. The high standard of tourism development in that country is demonstrated by the number of registered visitors - a combination of both holiday makers and business travellers. In 1981, for instance, some 290,000 visitors were hosted by that country. According to the Kenya Ministry of Tourism and Wildlife "Tourism Market Report 1982", this interregional traffic "represents 0.58 per cent of the estimated total world travel to the Third World Countries".

142. The report under review also reveals that the 290,000 visitors to Kenya spent a total of 3.3 million hotel nights, of which 0.7 mn were spent in Nairobi, 1.9 mn in beach hotels, 0.4 mn in lodges while 0.3 mn were spent in other hotels in Kenya. More than 90 per cent of tourist and business persons travel to Kenya each year by air. This is a reflection of the crucial role played by international flag carriers that have landing rights at the newly commissioned Kenyatta International Airport as well as the Mombasa International Airport. This percentage has steadily been increasing with the improvement of the tourism infarastructure and facilities. However, it should be pointed out that with the break up of the East African community, and the subsequent closure of the Kenya/Tanzania border tourism traffic to Kenya in particular and the other two former members of the EAC in general was drastically curtailed.

143. The construction of new hotels, lodges and allied amenities has necessitated the improvement of the tourism product, which has in turn facilitated the increased marketing of the improved product both in the traditional and new overseas tourism originating countries. The generation of increased tourism traffic to Kenya has meant big business for tour operators, travel agents and indeed national airlines that operate to that country.

144. In 1977, for instance, the modernization of Mombasa Airport, with its new 3,350 metre runway, made it possible for the first time to take wide bodied jets on direct flights from long haul overseas markets. It facilitated cheap package tours, especially from the Federal Republic of Germany, who fly direct to Mombasa for beach holidays. These usually come in groups of 500 per flight and the tours are prepaid in the country of origin. With the improvement of the product as already stated, beach holidays have become the most popular in Kenya.

145. Since 1978, further improvement to air transport facilities was achieved with the commissioning of the new Kenyatta International Airport, which handles 4-6 million passengers per year, and has passenger terminal accommodation for some 2000 passengers at a time. This new facility incorporates a computer-based passenger information system, a system to safeguard against fire risks, a 2300 metre runway, aprons and carriageway as well as a 50 metre high control tower building. Almost all airlines that operate in Kenya have their own offices in Nairobi. Consequently, they provide employment for local Kenyans who service those airlines, quite apart from the landing fees, as well as payment for the jet fuel that they purchase from time to time. Both local and international aircharter companies do make an impact on the development of the Kenya tourism industry as already pointed out elsewhere in this report.

Table 7

Hotel Nights 1979 - 1981 by Country of Residence - ('000)

Country of Residence	Kenya Total			Nairobi			Beach			Lodges			Up-country		
	81	80	79	81	80	79	81	80	79	81	80	79	81	80	79
1. Permanent Residence	364.1	410.7	382.0	306.4	332.5	299.5	9.0	8.9	8.4	0.7	2.2	1.3	48.0	67.1	72.8
2. Kenya	784.3	797.4	802.1	234.3	244.9	248.8	138.9	147.3	167,6	50.7	60.2	52.5	350.9	345.0	333.2
Total Kenya	1148.4	1208.1	1184.1	550.2	577.4	548.3	147.9	156.2	176.0	51.4	62.4	53.8	398.9	412.1	406.0
3. Uganda/ Tanzania	93.(	98.1	99.0	68.4	72.4	70.9	2.6	2.4	3.6	0.6	0.7	0.7	21.4	22.6	23.8
4. Other Africa	163.2	141.5	148.3	132.2	107.8	115.1	15.1	13.4	12.9	3.3	4.1	4.7	12.6	16.2	15.6
Total Africa	1404.6	1447.7	1431.4	750.8	757.6	734.3	165.6	172.0	192.5	55.3	67.2	59.2	432.9	450.9	445.4
5.United Kingdom	518.1	494.2	406.3	165.0	184.4	183.3	34.9	227.1	159.8	53.1	46.6	35.8	45.1	36.1	27.4
6. West Germany	1153.5	1130.5	958.5	89.2	92.8	90.6	880.6	870.1	757.0	77.6	75.5	62.5	106.1	92.1	48.4
7. France	146,8	144.8	135.1	34.4	33.2	34.3	67,6	66.5	60.4	34.9	33.8	32.3	9.9	11.3	8.1
8. Italy	185.7	197.3	152.7	32.0	37.0	36.5	104.2	107.8	81.1	29.4	28.3	20.6	20.1	24.2	14.5
9. Switzerland and	451.9	460.8	403.5	27.5	27.6	29.1	363.9	374.9	325.4	38.8	37.4	33.6	21.7	20.9	15.4
10. Scandinavia	92.1	92.2	93.5	38.0	39.8	39.2	30.1	32.1	35.7	11.7	12.5	10.8	12.3	7.8	7.8
11. Other Europe	239.2	271.3	269.0	75.7	71.6	74.8	110.5	134.5	132.7	24.9	31.4	34.8	28.1	33.8	26.7
Total Europe	2787.3	2791.1	2418.6	461.8	486.4	487.8	1811.8	1813.0	1552.1	270.4	265.5	230.4	243.3	226.2	148.3

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Table 7

Hotel Nights 1979 - 1981 by Country of Residence - ('000)

Country of Residence	Kenya Total			Nairobi			Beach			Lodges			Up-country		
	81	80	79	81	80	79	81	80	79	81	80	79	81	80	79
12. U.S.A.	272.4	258.6	251.1	118.1	122.2	132.6	26.9	26.5	25.6	87.9	73.4	67.9	39.5	36.5	25.0
13.Canada	37.7	46.3	34.8	20.6	25.2	20.0	5.1	4.7	3.7	7.5	11.4	7.0	4.5	5.0	4.1
Total North America	310.1	304.9	285.9	138.7	147.4	152.6	32.0	31.2	29.3	95.4	84.8	74.9	44.0	41.5	29.1
14. Asia	110.4	110.4	100.5	73.7	74.8	70.4	7.2	6.3	6.5	14.3	12.8	11.3	15.2	16.5	12.3
15. All Other areas	93.4	111.6	101.5	52.1	47.8	49.7	25.0	32.6	29.2	14.7	20.7	15.2	6.6	10.5	7.4
TOTAL	4710.8	4765.7	4337.9	1477.1	1514.0	1494.8	2041.6	2055.1	1809.6	450.1	451.0	391.0	742.0	745.6	642.5

Source: Tourism Market Report 1982 (Kenya).

146. According to the "Tourism Market Report 1982" of the Kenya Ministry of Tourism and Wildlife, "The last decade shows a strong upward trend in both the number of passengers travelling by air and the passenger-miles". From the tourism viewpoint, foreign tour operators can make or break a holiday destination. On them depends a lot of things in the development of a tourist destination or holiday resort. As suppliers, they package and sell tourism facility or amenity; and indeed a destination. Therefore for them to sell, they must be assured of both cheap and reliable transport, and favourable hotel tariffs, etc. Tour operators are capable of playing one hotelier against the other consequently no hotelier can afford to increase its rates in proportion to rising costs for fear of losing markets and prospects. That is the one major influence which foreign tour operators can wield over the tourism and hotel industry.

147. Some of these foreign tour operators have been known to own hotels and because they sell prepaid tours back home, they have also been known not to service those hotels due to lack of funds. Consequently, they have been denied credit facilities for supplies. However, in Kenya, some of the foreign tour operators have been obliged to hire indigenous management firms and this ensures constant remittance of funds by foreign tour operators to their establishments in the respective holiday destinations, or host companies. This is one way in which host countries can further control the industry.

148. The cheap packages for beach holidays on the Kenya coast sold abroad, have tended to make up-country safaris prohibitively expensive. Therefore, foreign tour operators and travel agents, specially in Europe, have been known to lose interest in selling Kenya Safaris to their customers. For a spell, tourism traffic from the USA had declined, and as a result safari bookings had also declined. It is generally accepted that the majority of tourists who opt for up-country safaris, and who are the biggest spenders are from North America.

149. Mindful of the crucial role played by foreign tour operators in the tourist industry of Kenya; Government does not only encourage the establishment of indigenous tour operator firms but it also participates in this industry through organizations like the KTDC or AT and HL etc.

150. Tourism is undoubtedly big business in Kenya, which for many years had been dominated by foreign companies. But since independence, Kenya has actively been seeking not only to control the development and expansion of the industry, but has also itself set up machinery to facilitate direct participation in the industry. Government has adopted a strong training programme for the training of its nationals at different levels, to enable them to man the industry, thereby minimising the recruitment of expensive expatriate personnel; it has established training facilities and institutions in order to increase the intake of indigeneous persons, thereby minimising the number of candidates for overseas training; it has acquired majority shares in almost every important tourism enterprise in order to ensure that it has, through the appropriate machinery set up, established hotel management and tour operator companies in enterprises as possible; it has also facilitated the assembly of touring vehicles, and as a result additional jobs have been created for the indigenous people, through licensing, government ensures that any new tourism enterprise has at least 51 per cent of the shares held locally, etc.

151. In regard to foreign exchange maximisation measures, although positive steps have been taken in this direction, nevertheless, the Government is said to be baking a critical look at each of the existing measures, with a view to streamlining them. It has been suggested that consideration might be given to the possibility of amending the existing foreign exchange return forms with a view to providing for copies to be made available to the Ministry of Tourism and Wildlife. Tourism officials are also said to be considering the possibility of introducing monthly return forms for hoteliers and tour operators to facilitate regular declaration of their monthly operations, etc. There is no doubt that Kenya is very strict about foreign exchange transactions. At the airport, for instance, departure fee was increased to US$10.00 last June, and this is payable in US dollars and in no other currency.

152. The then Zimbabwe Minister responsible for tourism made a speech in April 1981 - literally on Zimbabwe's first anniversary of independence - which formed part of the tourism policy which the country has followed ever since. Among other things, the Minister said: "In the past the Government has done all the ploughing and private enterprise has done the reaping. The Government has provided the facilities in the form of roads, airstrips and buildings and private enterprise enjoyed the benefits - we are going to form a tourist development corporation which will participate in profits alongside private enterprise". Subsequent to that statement Government set the pace for the control of not only TNC's; but also other private participants in the tourism sector in Zimbabwe.

CHAPTER V

Control of TNC's in the Tourism Sector

A. Examination of malpractices by TNC's

153. Until recently, the tourist industry of Zimbabwe was controlled within the framework of the "Rhodesia" Development of Tourism Act, 1975. For purposes of this report, Parts III-VI are of relevance in considering possible areas of malpractices within the industry. Part III made provision for the registration of hotels and hoteliers and grading and grouping of hotels; Part IV, for registration of restaurants and restauranteurs and grading of restaurants; Part V, for registration and grading of designated tourist amenities and Part VI, for licensing of tour operators and couriers. The most serious omission in this piece of legislation was the registration of travel agents - a very important service sector of the industry. This is the only sector of the industry that was, for one reason or another, self-regulating.

154. Travel agents mostly thrive on commission. Some are wholesalers or suppliers, and there are others who are fully pledged tour operator etc. In the absence of any legislation to control them, opportunities for malpractices abound. Out of the total number of all travel agents within the city of Harare and Chiredzi only one is a black Zimbabwean and the other is an Asian - this reflects its exclusivity.

155. The travel agents have a powerful association in that fair land. Therefore, it is not difficult to hazard a guess as to why the colonial Government did not include them in the legislation referred to above. They even succeeded in keeping blacks out of the association by stipulating that for any potential travel agent to obtain an IATA licence that potential agent's application had to be endorsed by the association. Above all, for the potential travel agent's application to be endorsed, he had to show documental evidence that at the time the application was lodged with the association, he had achieved Z$ 1 million worth of business. It is as a result of the deployment of this apparent economic weapon that blacks have for years been excluded from this section of the industry. The mission was not granted any audience when this was sought through one of the officials of the organization. Fortunately, the Government of the Republic of Zimbabwe has since amended the legislation under review. Consequently, all travel agents will now be required to register like any other sector of the industry under review.

156. Prior to independence, the country had joint training facilities for middle management personnel at the National Diploma level in hotel management and catering, for all the racial groups. However, while each candidate, irrespective of race or creed received Z$ 1000 from Government towards course expenses, nevertheless the amount was inadequate, and for those who were unable to find the shortfall (almost all were black), were unable to complete the courses. Of those blacks who successfully completed the courses, their next hurdle was employment opportunities in the hotel and restaurant sectors of the industry.

157. Priority was always given to their white counterparts, irrespective of the academic qualifications and technical performance of the latter. Consequently, prior to independence, no blacks were found in the management cadres of the hotel industry. But with the advent of independence, the situation has had to change. And as Government consolidates its hold on the industry, whatever malpractices might have existed as a result of the exclusion of blacks from executive positions in hotels and elsewhere might gradually be minimized. Mauritius appears to be in a category of its own in regard to the study of possible areas of possible malpractices by TNCs. From 1925 to 1952, the country had one hotel which had twelve rooms. The first modern hotel - the 50 room Park Hotel was commissioned in Curepipe in 1952; and this was essentially intended for passengers of Quantas - Australian Airlines. During that year the Mauritius Hotel Group was established. By 1959, Government, through the Mauritius Government Tourist Office, which was established then, began to promote tourism.

158. Tourist traffic to Mauritius increased from 1803 in 1954 to 128360 in 1979. At that point, tourism as an industry and as an earner of foreign exchange was placed in the third position after sugar and manufacturing. In that year its gross foreign exchange earnings stood at 300 million Mauritian Rupees, and employed at least 5000 people.

159. It is essential to articulate the foregoing historical information in order to appreciate that country's unique position relative to what seems to be the absence of serious malpractices by TNC's. When matched with other developing countries, Mauritius has relatively extensive basic infrastructure. Therefore, it is well placed to provide fairly adequate facilities to service the needs of a young but dynamic tourism industry.

160. Small is always beautiful. Mauritius is true to this adage. Its size is 720 square kilometers. Therefore, in order to cope with the needs of new hotels it has had to carry out extensions to roads, telephone cables, electricity lines and water pipes. The country has an exceptionally high degree of literacy and as a result it has been possible for it to meet its manpower needs for the hotel industry. In support of the latter contention, only 25 expatriates were employed in the hotel industry in 1978, and by now, that number has been drastically reduced. These developments explain why the country has not had to contend with the serious problems of malpractices by TNC's. The industry has virtually been indigenized, except for the presence of one or two TNC's who are not only technical partners, but who are also systematically regulated by Government.

B. Remedies applied by host countries

161. Since independence, the Government of Zimbabwe has deployed several corrective measures to remedy malpractices in the hotel and tourism industry, just as it has taken measures in order to ensure that the country continues to be in a position to meet its external financial obligations and maintain an adequate level of foreign exchange availability. However, the measures that are aimed at ensuring the country's ability to meet its external financial obligations are as relevant to the hotel and tourism industry as they are pertinent.

162. Zimbabwe has established the ZTDC in order not only to participate in the tourism profits but also to control the activities of foreign companies and TNC's. This move is also aimed at facilitating the entry into the industry by black Zimbabweans who hitherto found it impossible to make a breakthrough. More and more black Zimbabweans are now already in management positions within the hotel industry. Training of middle management personnel is being accelerated, while travel agents are now required to register if they are to continue to operate in that country.

163. Other measures that are bound to boost tourism earnings by positively attempting to remedy any malpractices by either TNC's or private foreign and individual investors were announced by the Zimbabwe Minister of Finance, Economic Planning and Development on the 27th March, 1984. These are:

- Temporary suspension of dividends, branch and partnership profits;
- Temporary reduction in emigrants' settling-in allowance;
- Acquisition of the blocked external securities pool;
- Release of blocked funds of companies and individuals;
- Control of Government external expenditures.

164. In both Mauritius and Zimbabwe all management contracts are constantly monitored by the respective National Central Banks. These contracts are contingent upon specific achievements by transnationals during the contract agreement period. For instance, any commission built into such contracts is only payable on the achievement of stipulated targets such as minimum room or bed occupancy percentages, etc. It is also usual to prevail on transnationals not only to consider management contracts but also to accept equity participation as junior technical partners, in order to ensure TNC's involvement and thereby minimising prospects for malpractices.

165. In both countries Governments are committed to systems of allowing local communities to benefit directly from a sound tourist industry and as a result these are continuously being investigated. In terms of tourism promotion Governments have specific countries which are the major beneficiaries. In regard to future investment in the industry, while foreign investors will be most welcome, nevertheless, the Governments concerned will naturally give priority opportunities and incentives to local entrepreneurs in developing new projects.

166. The importance of tourism to the economies of these countries warrants the improvement of those organizations that are charged with responsibility of developing the industry. Consequently, Governments have embarked on massive programmes of work aimed at relaunching the industry by re-examining the existing tourism organizations and structures. It is intended to give such organizations better human resources that would be capable of effectively promoting and marketing the tourist industry at all times.

C. Measures to control expansionary tendencies of TNC's

167. It cannot be denied that uncontrolled tourist expansion can lead to environmental pollution, profiteering and retrogressive economic development. Transnationals, like other business enterprises, are in business to make money, and the faster they can make it and get out, the better for them. They have turned their business attention to some developing countries that they perceive to have tourism charity, but rather because they are convinced of the tremendous tourism potential of such countries.

168. While the major pre-occupation of transnationals is the continued realization of ever increasing profits, that of the host Government is more than one (e.g. protection of the economy; the environment, national interests and even those of the transnationals, etc.) Therefore, Governments' insistence on planned development is aimed at unwarranted expansionary tendencies of TNCs.

169. Therefore, the herculian task of superintending national interests calls for careful and systematic planning for all avenues of human endeavour. Accordingly, if measures to control expansionary tendencies of TNC's are to be deployed by any host Government, these would necessitate provision for appropriate tourism policy which would form the framework for planning, co-ordination and implementation. With such a policy in place, it would not only control the dreaded expansionary tendencies of TNC's but would also show how the intrinsic merits of tourism may be harnessed for the benefit of the PTA member States.

170. In regard to the hotel industry where transnationals have been known to own hotels, host governments do exercise the right either directly or indirectly to acquire shares in such hotels in order not only to participate in the profits but also to curb any possible excesses. Other measures have to do with equity participation by transnational and the duration of management contracts. Expansionary tendencies of TNCs are controlled by providing for a definite training programme of local personnel to facilitate the indigenization of the industry. Other control measures are aimed at design and construction of hotels with the insistence on maximum use of local building materials thereby minimizing the use of imported materials. Instances are known to exist where state owned or government hotel chains have been built in order to counter-balance the presence of transnational hotels in the economy of the host country. The leasing of hotels and related amenities would be yet another method of keeping in check any such expansionary tendencies

171. In terms of counter-balancing the presence of transnational hotels in the economy of the host country, the mission was informed about Kenya's track record in this sphere. That country is said to be committed to a sixteen year development project estimated to cost approximately KSH50 million. The Government of the Republic of Kenya is said to have planned for a provision of some 6500 bed complex aimed at transforming Diani Holiday Resort Complex on the South Coast of that country.

However, the successful completion of this holiday resort will undoubtedly further shift emphasis towards beach tourism. When completed, the resort will have 26 hotels with the total number of beds already referred to above, and will also include such amenities as ocean sports, swimming pools shops, bars, recreation and entertainment centres, bat caves, an aviary, restaurants, fungus gardens, an underwater observation chamber and an open-air theatre. The plans are also said to envision the development of a satellite town of about 40000 people which will provide industrial, commercial and social services to both local citizens as well as holidaymakers.

172. Franchising and marketing agreements opted for by some host Governments have the effect of doing away with the managerial and other skills of transnationals. This too is part of the measure a country could deploy in controlling the expansionary tendencies of TNC's. In regard to tour operators, some host Governments that have national flag carriers could and do control the expansionary tendencies of TNC's by getting the latter to use not only the host country's scheduled flights, but also its hotels for the holidaymakers handled by the tour operators. Both the national carrier and the Government marketing authorities would require to establish a close working relationship with foreign tour operators. Such a relationship would, and does facilitate constant use by foreign tour operators of the host Governments flag carrier as well as its hotels. The deployment of a levy or tax on peak holiday traffic is a measure that is aimed at getting foreign tour operators to increase the flow of tourist traffic to the tourism receiving country, and would also subsidize off-peak tourist traffic etc.

CHAPTER VI

Policy Recommendations and Conclusions

A. The role to be played by TNC's in the development of tourism

173. The three PTA member states visited by the mission, have already created effective machinery to build and develop the hotel and tourism industry. In this regard, the fairly rapid tourism growth that is taking place in the three PTA member states is accompanied by what appeared to be adequate provision for basic infrastructure. Consequently, this growth does not seem to have undermined the industry's long-term systematic planning of the industry by the Governments concerned.

174. General guidelines of tourism policy are an essential ingredient not only for tourism expansion and development, but also the invitation by the host countries to TNCs and other potential investors to participate in appropriate tourism projects. Legislation too is yet another valuable ingredient for the development and expandion of the industry. This control mechanism is essential for orderly development and expansion.

175. Planning is an essential and effective tool for the establishment and subsequent development of this industry. Therefore, PTA members state that opt for tourism in an attempt to diversify their economies, would be well advised to establish, at an early stage, whether their respective countries have tourism potential. When this fact is established, it would be advisable to discover at the outset, the potential costs of the respective tourism sectors of those countries. This would then call for both medium as well as long-term planning.

176. Implementation of any well thought out tourism plan could be frustrated either by lack of financial or even trained personnel resources. The three PTA states that form the basis of this report are paying special attention to both tourism planning and personnel training in the various skills of the industry. Consequently, not only has a considerable degree been achieved in the indigenization of the industry, but has also facilitated the transfer of skills in the various sections of the industry.

177. All the three Governments of the PTA member States under review are in fact committed to expanding the hotel and tourism industry within realistic limits. The mission found that many businessmen welcome the principle of Government involvement in new investments. The mission further found general willingness in those countries for co-operative effort or pooling of resources on a regional basis. It is also known that some international organizations or donors readily give assistance where neighbouring countries share such training facilities.

178. In recognition of the degree of willingness to co-operate, we recommend that PTA member states carefully weigh the advantages of engaging in a degree of collective self reliance with regard to some of the myriad tourism activities within their common area. Much could be accomplished through co-operation between local and regional tour operators, local and regional hotel associations, local and regional training institutions, national and regional airline co-ordination and co-operation and allied tourism service organizations. And through them it would even be possible to develop and guarantee local hotels based on indigenous customs and culture of the common area. In this way the industry would enrich its menu of contribution to the PTA economy.

179. There is no doubt that the three PTA member states visited by the mission are well aware that under certain circumstances both transnational associated hotels and tour operators have a role to play in their respective countries' tourist development. Consequently, those countries have been careful in singling out the package of transnational resources that are offered them from time to time. Therefore, they have been careful enough in the selection of those resources that are of ... tremendous advantage to their respective countries to the exclusion of those which are not.

180. In the promotion and development of the hotel and tourism industry both TNCs and local entrepreneurs within the industry should be prevailed upon to co-operate in the provision of training facilities for personnel in the industry. This co-operation should be extended to travel retailers and other sectors of the industry. For instance both the public and the private sectors should recognize the need to educate the travelling public to use the services of travel retailers to book either leisure domestic or international travel arrangements. Through such co-operative efforts the need for frontline retail agencies' staff to use its initiative in creating awareness among its clientele about the merits of domestic travel bookings could be satisfied. After all such bookings are **welcome** business and elicit the same level of service as that devoted to international travel arrangements.

181. These three PTA member countries have built up a fountain of valuable information based on their involvement with TNCs, that should facilitate a choice between equity investment, (which is very rare nowadays) management contracts, hotel leasing, franchise agreement and technical service agreements. Therefore, the role to be played by TNCs in the development of tourism in any given PTA member country could be based on anyone of the foregoing agreements, and would, if properly consumated, considerably strengthen the PTA members' bargaining power vis-a-vis transnationals in the tourism industry. The three PTA member states that form the basis for this report are destined to be valuable sources of tourism information for other member states on the preparation of technical assistance and management contracts in this sector. In the preparation of such contracts, the role of Central Banks should and must not be down played. It is crucial.

182. The three countries under review have an impressive degree of co-operation amongst the tourism-oriented organizations. This co-operation sets the pace for individual member countries to engage in several measures of collective self reliance in so far as tourism activities are concerned. Indeed, this could well be perceived as a relevant qualification if the PTA member states become more and more active participants in the tourist industry. There is no doubt that this would guarantee them increased control over those tourism ventures in which Transnational were technical or minority partners.

183. It should be pointed out here that in this group of countries, it is more than likely that those with small tourist sectors, might be obliged to be dependent on transnational associated companies due, very largely, to lack of capital and appropriate skills. But others have experienced a lower foreign participation rate in the provision of accommodation, where these have a larger absolute size of the hotel industry.

184. Transnationals have still a role to play in the development of tourism in the PTA countries. These could be involved as technicians or professionals in the hotel industry, where they would manage hotels, participate in marketing and public relations, transfer of skills generally either through in-service training, or

training abroad; others would be minority equity participants, etc. As professional hoteliers whose services might be available to this group of countries, they might assist in the identification of loan capital for tourism development available either by individual potential investors, banks, land and property developers etc. The relative advantages and disadvantages of TNCs' participation in the hotel sectors of the PTA countries would need to be carefully assessed by each member state. Such assessment would have due regard to the general development strategy of any such member state. Except for a few, almost all foreign tour operators are headquartered in tourism generating countries. Depending on the type of tourism industry opted for by member countries, foreign tour operators should establish links with host countries either through local tour operators or local hotels, and even national flag carriers. In the latter two cases, they would enter into 15 to 25 years leases, or any other period which host countries might opt for.

185. TNCs, as well as indigenous hotel companies could and should enrich their marketing strategies either collectively or individually by constantly initiating detailed surveys among a fairly large percentage of opinion leaders both on the domestic and international scene on such things as

- What they believe to be the foremost attractions of any given PTA country,
- What tourism infrastructure facilities should be evaluated and developed.
- What regulations they perceive as inhibiting tourism development and expansion in the PTA and
- Any innovative ideas that might assist in the overall objective etc.

186. PTA countries might consider the need to persuade TNC's to make positive contribution towards making all local and overseas tour operators aware of the PTA countries as potential holiday destination or part of such a destination. In this connection, TNCs should further be persuaded, to advertise and seek definite package tour itineraries with fly/stay as well as drive/stay packages.

187. We believe that TNC's can and should also assist in identifying and offering unique tourism experience of each PTA country e.g. recreation of life style of PTA countries of their early past etc. We believe that foreign owned shops that do lucrative business in the main tourism centres could and should be persuaded to offer attractive and reduced prices for purchases of souvenirs to visitors. This recommendation presupposes that local entrepreneurs in similar economic circumstances would also be made to understand and appreciate the merit of such offers. It is also our contention that top hotels of the future will be required to keep up with increasingly sophisticated requirements of modern travellers if they are not to fall

by the wayside or miss out on the important top end of the market. Therefore, to remain in business they will be required, we believe, to provide extensive recreational facilities, computers for travelling business persons, video and satellite TV systems and more specialized restaurants - which are likely to be standard amentities in top hotels. TNCs could operate within the PTA countries because they would be of mutual benefit to them as well as to the host countries.

188. We maintain that both food and beverage requirements too will become more sophisticated and demanding with hotels having to offer a wider choice of food. Hotels, we expect, will have to provide increasingly varied menus for specific, clearly identified types of food. In this regard TNCs could do a lot in the development and manufacture of high standards of food and beverage within the PTA countries.

189. In this regard PTA member states would be well advised to ensure that appropriate policy and legislation are provided for as a framework for their activities which would be Government controlled and thereby ensure the bargaining power of each host country.

190. Provision should be made through legislation for the registration, licensing, inspection of hotel amenities and training of local personnel to facilitate the indigenization of jobs and/or companies, wherever necessary.

191. Local tour operators should be encouraged to develop their activities with a view to replacing established foreign tour operators in the host countries. One way of doing this would be by giving priority to local tour operators in the issuance of licenses, or by urging foreign tour operators to work with their local counterparts. In this regard, all the three PTA countries under review, have already taken appropriate action.

192. Host countries should exercise their freedom of choice between equity investment, management contracts, hotel leasing, franchise agreements as well as technical service agreements. Such an exercise should include determination of contract periods, and other stipulations, such as performance.

193. However, it is essential to refer also to the role of national Flag carriers that play a key role in ferrying people from one country to the other. This is one of the services that facilitates tourist traffic in different parts of the globe. Therefore mindful of its essential role, PTA member states would undoubtedly see merit, in paying special attention to the relationship between airlines and tour operators, who, by and large, generate tourist traffic from tourism generating to tourism receiving countries. PTA member states may also wish to consider the policy they may wish to adopt towards foreign national carriers which might be one aimed at ensuring that they do not abuse any monopoly position that they might possess - nor should they sxploit any internalizing advantages in such a way as to undermine or frustrate Governments' development plans. Mauritius, for instnace, is fully recognizant of a liberal air access policy in regard to foreign airlines as well as overseas markets.

194. Conferences, Conventions and Seminars are becoming big and lucrative business in the world today. But it has been recognized that rising costs are a major constraint in the exploitation of this business. Therefore, in order for hotels to encourage companies within the PTA countries, consideration should be given to the possibility of offering special conference rates which would include discounted special conference rates which would include discounted return air fares on local or regional flights and competitive bed and breakfast rates at those hotels opting to launch the scheme with one or two flag carriers. As we see it, the only companies that would be eligible for such discounts would be those who would provide a minimum of 10 delegates staying at any given hotel for the duration of the conference/convention/seminar. This would be a useful area for co-operative effort between national flag carriers on the one hand and hotels and tour operators on the other.

195. In terms of marketing strategies from the view point of national airlines it must be conceded that there is room in and need to break into market sectors. One way of breaking ground into new markets is by considering the introduction of business class in addition to first class on existing domestic routes at 15 per cent higher fare than the normal economy tariff. Such a move would be aimed at enticing people to opt for flying instead of travelling by other modes of transport. Some flag carriers have been known to offer 40 per cent on normal economy class fares with reservation ticketing and payment made between 14 and 4 days in advance of the day of travel. In which case passengers would be advised 24 hours in advance of which flight they would be travelling on the next day. Similar offers could be made available to potential standby passengers, at a discount of 20 per cent, which would enable them to travel either on any available flight or the last one for the day.

196. PTA countries may also wish to consider the possibility of offering through their respective airlines, either singly or jointly, special airfares aimed at seeing individual or a group of countries covering a stipulated number of miles or kilometres linked to a specific duration of stay in named places for a fixed fare. Such an offer would encourage hundreds of people to travel and get to know their respective as well as neighbouring countries. The overall objective for such offers would be to maximise both higher passenger loads and therefore profits.

197. It is our contention that airport authorities have as much a duty to their respective countries as they have to the travelling public. Therefore, in order for customs and immigration personnel to discharge their responsibilities effectively and with appropriate decorum, they deserve extensive training all round. This would be one way that would assist them in making travel a more pleasurable experience. They will need to be trained to appreciate the fact that a foreigner is not a squalid nuisance but someone the PTA countries need.

B. On Investments to Ensure TNCs' Contribution to National Development Objectives

198. As already stated above, host countries have the freedom of selection of not only the type and size of TNCs they would like to be associated with, but also the basis for such an association. They have the ability to prevail on foreign tour operators and even foreign hoteliers to co-operate in the promotion of local enterprises.

199. Transnationals can engage in foreign direct investment in host countries and manage wholly owned hotels or do have an equity share in foreign hotels along with local private or host country capital. A number of countries have entered into different kinds of contractual agreements with transnationals within the hotel industry. In either of these developments, transnationals do exert considerable influence on the extent and even structure of tourism in host countries. In regard to tour operators, depending on the markets and market segments they cater to, they too would exert influence on the host countries in regard to tourism traffic to those countries.

200. In the PTA, like elsewhere in the developing regions of the globe, it is unlikely that foreign direct investment would be the main method of transnational involvement by hotel comapnies. But several studies that have been carried out by the UN Centre on Transnational Corporations suggest that only a third of foreign affiliated hotels are owned or partially owned by transnational corporations, with minority equity participation as the usual form of foreign capital participation. Foreign participation in the hotel industry could also be through the availability of foreign loans. These can be obtained from a host of international financial institutions including tour operators, airlines, potential individual investors who may be non-hoteliers; and a variety of pension funds, etc.

201. The involvement of TNCs in the hotel industry through one of the two forms referred to above, depending on the contractual arrangement that host countries might achieve, might facilitate general development not only of the tourism industry, but also other sectors of the training and therefore expedite the indigenization of the industry and also the development of indigenous hotel management companies; it would facilitate the creation of jobs because the industry is fairly labour intensive; it would contribute to increased tourism traffic to host countries, and thereby boost their foreign exchange earning capabilities; it would assist host countries in creating awareness in tourism generating countries of the tourism potential of the former, etc.

202. Host countries whose hotels are under international hotel management terms and that enjoy international professional reputation stand a better chance of borrowing funds for the development of the industry with the minimum of difficulty. Potential local investors also feel confident to invest if they can be assured of the professional services for whatever hotel establishment they may care to develop, as well as a fair return on their investments.

203. All the foregoing benefits would be possible only if the host countries would recognize the need for suitable legislation aimed at the promotion of the tourist industry, thereby creating a suitable climate conducive to such development. In Mauritius, for instance, several investment incentive schemes aimed at promoting industrial development are available. Act No. 20 of 1982, for instance, "The Hotel Management (Incentives) Scheme" is directed at " attracting, promoting and providing specialized managerial and marketing services in the hotel industry".

204. The Hotel and Tourism Industry also benefits from similar incentives intended for other industries. These investments incentives schemes are a recognition by Mauritius of the need for foreign investments for this industry and of the contribution that TNCs are capable of making to national development objectives. This is one way of creating a positive industrial climate conducive to development, as already pointed out elsewhere.

C. General Conclusions on TNCs in Tourism

205. Transnational corporations in tourism have had a role to play in the three PTA member countries, for quite a spell now. In all the three countries their participation has largely been limited to hotels and tour operation. However, in Mauritius, the National carrier there has over the years permitted minority equity participation by other national flag carriers like Air France, British Airways, Air India, etc.

206. In Mauritius there is considerable tourism potential for generating foreign exchange earnings - hence the extremely liberal tourism policies adopted by that island state. The country's industrialization possibilities are indeed limited by its narrow market which is mostly due to its size of population and fairly low incomes. In this connection it can be said that the tourism industry there acts as a surrogate capital goods sector.

207. Tourism as already pointed out is a relatively labour intensive industry. Therefore, where transnationals have been permitted to participate in the growth of the industry, several job opportunities have been created for the indigenous persons. Tourism could be big business. Therefore the major pre-occupation of transnationals in participating in this industry is to make money - wherever possible, big money. Accordingly, the potential for rapid development abounds. In this connection countries which opt for tourism development would be well advised to ensure that rapid tourism growth is accompanied by adequate provision for basic infrastructure. This would be one way of avoiding a national catastrophe that would otherwise be as a result of pollution, congestion and related excesses.

208. The three PTA countries reviewed here have an excellent record of tourism planning and development. So far, they appear to have realized valuable benefits from their association with TNCs which have provided the link with major tourist generating countries, organizations of the industry, access to and management skills, etc. Whatever benefits these three countries have obtained from TNCs have been determined by the degree of the latter's involvement in the type of tourist industry that has been established in each of the member states.

209. It is essential that foreign hotel enterprises as well as tour operators should be legally established. Where this is an established fact, it would also be essential to consider other legislative measures aimed at limiting the involvement of transnational enterprises to, possibly minority equity participation, management contracts or franchise arrangements, etc. Future foreign hotel enterprises can be established in line with the procedure and under the terms and conditions reflected in any such legislative measures as suggested above. The measures would regulate the protection of any foreign capital invested within the hotel industry; profits earned on investment, just as they would permit the repatriation of foreign loans and equity capital at an amount not exceeding, for example 10 per cent.

210. In other countries permission is also granted to remit interest on loan capital at a rate stipulated in the act of approval, which rate might not exceed a stated percentage. As far as profits are concerned, these may be remitted at an annual rate of 12 per cent, calculated on the non-repatriated amount of the equity of foreign capital etc., or at any other stipulated period dictated only by prevailing economic circumstances.

211. The availability of different types of investment schemes enable transnationals or foreign hotel chains, which are properly and legally established in a host country, to take quick advantage of several existing measures that offer financial incentives and assistance to foreign investments in tourist enterprises. For foreign hotel enterprises or transnationals to benefit from or take advantage of the generous offers made to domestic or indigenous tourist enterprises, PTA countries may wish to satisfy themselves that they, (the host countries) do in fact greatly benefit in turn from investment capital brought in by the former.

212. However, in regard to the repatriation of charges or profits already referred to above, it should be conceded that this has the effect of reducing the net foreign exchange generated by transnational associated hotels in any given host country. Reducing the net foreign exchange for host countries is also as a result of the repatriation of part of salaries paid to expatriate professionals and technicians, management and other fees, transportation of expatriate personnel etc.

213. Experience has also shown that host countries can and do in fact lose money where transnational associated hotel chains make purchases through central purchasing units which are based outside the host countries. In such a set-up, opportunities abound for book transfers which facilitate less visible and higher levels of returned value to headquarters of overseas parent countries. Through such a set-up, it is even possible to off-load on to the host country any obsolete machinery in respect of which the latter might be charged the full rate of a brand new piece of machinery, etc.

214. PTA countries should consider the merits of co-operative efforts between hoteliers, travel agents and tour operators. Such co-operation should be aimed at the improvement of hotel occupancy rates. Such a policy decision would ensure that hotel chains do not erode the credibility of incoming tour operators. In the tourism industry certain hotel chains tend to offer potential tour groups lower rates than those that could economically be offered by the incoming tour operator. It should be appreciated that large hotel chains are the only ones in the world who employ high powered, highly paid sales people to offer lower rates. Therefore, indigenous incoming tour operators who should be encouraged to be the main producers for hotels and national flag carriers within the PTA countries should not be left at the mercy of large hotel chains.

215. However, it goes without saying that there is also room for improvements in small indigenous hotels. We are persuaded that PTA countries could and should encourage small indigenous hotels to improve their establishments for their own sake and indeed for the good of the industry. Small hotels could improve and offer fast baggage handling, security, good room service and well furnished lounges which make for a good bar trade and therefore create a good economic future for themselves etc.

216. The tourist industry is one of the most competitive industries today. Therefore it is one of the most expensive to administer. There are also several countries that cannot and will not be described as tourist destinations in their own right. Accordingly, mindful of these and other similar limitations, there is a growing tendency towards the integration of the various operators participating in co-operation between individuals, organisations, and even member states in pooling resources to greater mutual benefits to all the participants. It is for this reason that the promotion of tourist products has in recent years become extremely important. Zimbabwe, for instance, is committed to tourism co-operative efforts with Mozambique, while Mauritius has been instrumental in forging similar efforts with her Indian Ocean neighbours, etc.

217. But a careful examination, for instance, of the vertical or horizontal integration which occurs primarily on the one hand among tour operators in the tourist generating countries, reveals that it gives them the opportunity to influence demand, and yet on the other hand it weakens the negotiating power of the receiving countries. These are trends which PTA member states would have to be alive to and adopt measures capable of counteracting them.

218. Part of the answer in counteracting any possible excesses by foreign tour operators in influencing demand in the receiving countries might be, as already pointed out is the development of domestic and regional tourism, the indigenization of incoming tour operators, the production and presentation, by the latter, of more packages for the domestic markets because it has been asserted in informed tourism

areas that less than 5 per cent of all hotel occupancy in certain countries comes from overseas. There is no doubt that the domestic market not only within the PTA countries but also the African region has a huge untapped potential for travel agents and therefore the hotels and national flag carriers.

219. There are countries within the PTA which have more than one tourist resort area which offer a variety of attractions for the potential holidaymaker. And yet up until now only one resort area might have been developed to the exclusion of other similar resorts of possibly equal potential. Some of these countries might have both safari as well as coastal areas or even historical sites. Therefore, should interest for the moment be focussed on only one of such areas, we would recommend that by working with and through travel agents and in-coming tour operators the situation be reversed. With the unification of resources in a bid to attract coastal holidays, for instance, to inland holiday resorts, national flag carriers, ground tour operators, travel agents etc. could successfully reverse the flow of tourism traffic as already pointed out. We believe that the union between airways, travel agents, hotels, courier services and ground tour operators would be ideal for putting packages together to those tourism resort areas which might be crying out for tourism traffic. We also believe that the establishment of hospitality and hotel reservation services at any PTA international airport as a useful and practical adjunct to such a union. PTA countries should consider the provision of not only a wide variety of tours, but these should also be reasonably priced, especially now that holidaymakers are looking closer to home for their leisure. The resorts, we suggest should be action oriented for the simple reason that a guest must never be allowed to complain of having nothing to do.

220. Each PTA member state makes a choice or decision concerning the composition and general style or mode of tourism development. Based on this assertion, consideration should be given by the concerned countries to the construction of smaller local style hotels which blend into the natural surroundings. There is no doubt that such hotels have a lower import content just as they are unlikely to attract high construction costs. The use of local or indigenous architects would also be an ideal feature of such a policy decision.

221. According to the study carried out by the UN Centre on Transnationals, transnational associated hotels tend to employ less labour per bed place than smaller hotels mostly managed by indigenous persons. Therefore, there would seem to be considerable merit in the construction of smaller local style hotels because of their cost, effectiveness and higher employment ratios per room, which would be ideal for the developing countries of the PTA. These countries should avoid a preponderance of large foreign oriented hotels that could blight the environment and distinctive local atmosphere and traditions.

222. Tourism is a growth industry which is capable of playing, if properly planned and executed, a leading role in overall economic growth. Therefore, in most cases, it would merit consideration of certain degrees of state planning. Such planning would be directed at integrating the industry into the general economic objective of the state. This is essential because it is an industry that easily benefits from other industries both directly and indirectly.

223. Present day conditions dictate that in view of its strategic role, marketing could and should not be left out if member states opting for the development of the industry are to benefit from its establishment. Therefore it is strongly recommended that the role of marketing the tourist product should be part and parcel of a marketing policy, and in which case it would have to cover every aspect of the product - such as distribution channels, public relations, prices, advertising, personnel, sales promotion - essentially referred to as the market mix.

224. However, it should be conceded that the tourist product cannot be physically exhibited for inspection by potential consumers in the market place. Consequently it heavily depends on whatever representations and descriptions it might be given in printed and audiovisual forms. In this regard the degree of success of a destinations marketing coupled with the appropriate promotional activities is contingent upon the quantity and quality of the available communications tools. The latter demand, in this day and age, more efficient and cost effective production, and above all judicious distribution within the tourism generating countries. Therefore, because printed tourism material has always remained the mainstay of the marketing armoury, a case for meaningful marketing budgets within the PTA hardly needs emphasis, their respective financial stringencies notwithstanding. Where the industry is perceived as a foreign exchange earner, the foregoing recommendation cannot be out of place.

225. Mauritius provides several investment schemes for potential investors. There is no doubt that these schemes go a long way not only in allaying the unfounded fears in the minds of potential investors, but also in giving guidance about government policy vis-a-vis development. Accordingly we would strongly recommend for consideration, by PTA Governments, of the need for adopting a suitable investment code in order to attract potential and suitable investors in the tourism and hotel industry alongside other industries.

226. Several WTO studies on regional and inter-regional tourism confirm the valuable contribution made by domestic tourism. It is no surprise, therefore, that more and more tourism experts have come to acknowledge the vital role of domestic tourism. It is in this light that we commend the development of domestic tourism to the PTA member countries. We believe that domestic tourism could best be developed through co-operation between the public and private sectors through joint promotion. Domestic tourism, if properly developed and promoted could be the backbone of any country's tourism industry within the PTA while foreign tourism might well be the cherry on the top. Some tour operators and even travel agents tend to view it differently and as a result they compete to make a living from international visitors. We suggest that there is something amiss about such a priority.

227. We recommend that citizens of each PTA member country should be educated on and introduced to the attributes of their country. They must be encouraged to make use of the services of the travel agents and be coaxed out of their family cars as a mode of transportation for holiday making especially in this day and age when fuel is prohibitively expensive. We recommend that domestic travellers should be given tourism ideas through the medium of publications listing attractions on or off the beaten track to suit their line of interest and pocket. We also recommend that tourist route structures of varying duration in specific regions of each PTA member country should be identified and developed, and special interest tours based on natural attractions. In this connection, both Kenya and Zimbabwe provide excellent examples of how to maximise their national parks vis-a-vis school children, who are the tourists of tomorrow.

228. The character of the incoming tourists should be expected to change with the passage of time. It is possible that an increasing percentage might be dissuaded from buying packaged land arrangements in some of the PTA member countries, and might instead opt for their own choice. We suggest that tour operators within the PTA countries should be alive to any such possible changes in the character of incoming tourists.

229. We strongly believe that education for sales staff of domestic tourism is very essential. Unless these are properly trained in the techniques of selling domestic tourism, the full value of the industry as stated above could not be realized. Therefore we recommend that PTA member countries, that would be interested in developing domestic tourism, should consider the adoption of a policy of co-ordinated marketing approach and the development of sound pricing systems and structures. Such a policy, we believe, would be best achieved by ensuring that the public and private sectors pull together if optimum results are to be achieved.

230. Both Kenya and Zimbabwe have demonstrated that the market for tourism and conference accommodation in the African region is a dynamic one. Therefore, it is recommended that both National Tourism Boards and the hotel industry within the PTA member countries should constantly adapt to new and ever changing patterns.

231. The three PTA member countries considered in this report have training facilities for almost every sector of the industry, except, perhaps tour guides. There is no doubt that these are in the frontline when it comes to creating an impression on visitors. Therefore, where training facilities for them do not exist, it is recommended that these be provided and that each tour guide be registered and licensed. This should also be extended to tour guide/drivers.

232. As already stated, a few PTA countries have their own training facilities. It is known that Mauritius, Kenya and Zimbabwe have shared their existing facilities with some of their neighbours within their respective areas. Therefore, there might be merit in persuading all PTA member countries to adopt a common training policy of not only sharing these facilities but also pooling their resources on a regional basis.

233. In all the three PTA member countries discussed here, positive measures have been adopted in an attempt to bring about the indigenization of the industry. It is suggested that each PTA member country should consider the possibility of studying some of the measures, adopted by either of or all the countries under consideration with a view to adapting and adopting some of their methods for possible implementation in their own respective situations. The indigenization of the industry would be one of the surest and quickest ways of not only consolidating the bargaining and negotiating power of the PTA member countries but also controlling the industry generally.

234. Air charter companies have a role to play in the development of tourism. But not all PTA member countries might see the need for such services on a regular basis. However, for those who would have the need for such services, and in order to ensure that these are properly co-ordinated and controlled, there would be need to adopt a specific policy regarding their introduction, and for consultation with the national flag carriers. Kenya seems to have established a policy that appears to be serving the industry extremely well, and which could well serve as a model for the PTA member countries. But, in regard to national airlines, there would seem to be room in the possibility of polling resources. At least two examples of this were provided by the former Central African Airways (CAA) and the East Arican Airways (EAA) which served the former Southern and Northern Rhodesia and Nyasaland, Kenya, Uganda and Tanzania respectively. Such co-operative effort could be reviewed and if need be resusitated in line with current developments.

235. There are certain countries within the PTA which are not tourist destinations in their own right. Such countries could benefit considerably from teaming up with their neighbours as part of a newly created tourist circuit. From the view point of the long haul tourists, tours to a tourist sub-region would definitely turn out to be cost effective and therefore justified and attractive. Indeed this is one of the areas in which PTA member countries could pool their meagre resources. Additional co-operative efforts might be sought in the sphere of research whose major pre-occupation would be to keep an eye on the changing pattern of international tourism from time to time, thereby ensuring that developments within the PTA keep pace with the needs and aspirations of the tourists of the future. However, in regional marketing plans it would be necessary to ensure that individual personality and identity of each member country is preserved at all times, but at the same time attempting to project the quantity and quality of tourist attractions available in the entire region.

236. Some of the major handicaps in tourism promotion are the myriad formalities and trivial restrictions in a number of the PTA member countries. Security considerations notwithstanding, we believe that there is room for improvement in the present arrangements. It would help, **especially** in the name of domestic or interstate tourism if special arrangements were considered for the free flow of nationals between PTA member countries as a start.

237. The deployment of foreign exchange measures aimed at ensuring that, wherever possible, most tourism receipts remain in host countries, calls for co-ordinated action by the Central Banks, the National Exchequers, the Ministries of Trade, Industry and Tourism, etc. Such co-operation and co-ordination would minimise any possible loopholes in whatever system might be adopted in the name of exchange control measures.

238. The fulfilment of any tourism policies that the PTA member countries would care to adopt would necessitate teamwork between Government Ministries and Departments which are involved in one way or another with the planning, research, financing, licensing, operations, controlling, developing and promotion of tourist amenities and the services should be accorded a level of priority if the industry is to have the desired impact on any economy. In other words, it is recommended that the industry be completely integrated into the overall economic planning of each PTA member country wherever possible.

239. In order to give positive expression to any tourism plans and policies, both funds and staff to facilitate implementation, should be provided in keeping with any formal representation which might be made by the tourism planning officials to their respective Ministries or Departments. PTA member countries should consider the need for the adoption of comprehensive medium and long term projects as an on-going exercise which should be constantly reviewed in the light of developments in the market place.

240. We believe that transnational corporations have still an important role to play in the development of the tourist industry in the PTA member countries, provided monopolies were not encouraged, healthy business competition promoted, joint venture projects facilitated through the availability of appropriate investment codes, management hotel companies were registered, licensed and properly controlled and foreign tour operators were persuaded to work with their counterparts in the host countries. A definite tourism policy aimed at the orderly control of transnational corporations would be an essential tool for tourism development within the PTA member countries.